

MAKING CHANGES >

Turning Local Visions into National Solutions

- > Agriculture and Rural
Development Policy
Recommendations
from the Agriculture
Policy Project

Henry A. Wallace Center
for Agricultural & Environmental Policy
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May 2001

Henry A. Wallace Center
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at Winrock International

Arlington, Virginia

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The Henry A. Wallace Center uses its expertise in research, policy analysis, and development to foster sustainable and equitable agricultural and food systems. To achieve this mission, the Center works to: measure the impacts of agricultural policy and offer policy recommendations; offer policy alternatives for sound natural resources management; understand the driving forces and the environmental and social impacts of an industrialized food system and its alternatives; and educate and empower participants in the food system, especially rural communities. In addition to a Policy Studies Report series, the Center publishes the quarterly, peer-reviewed *American Journal of Alternative Agriculture*, and monthly *Alternative Agriculture News*. Formerly the Henry A. Wallace Institute for Alternative Agriculture, established in 1983, the Wallace Center joined Winrock in January 2000. The Center, which is named after Henry A. Wallace, former U.S. Secretary of Agriculture and U.S. Vice President during the Franklin Roosevelt administration, is supported by donations and grants from foundations, corporations, and individuals; competitive research awards; and publication sales.

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The policy advisory team consisted of experts from nonprofit organizations, academia, the federal government, and private industry. They were convened in spring 2000 to examine the output of all the policy sessions—the starting point for the development of a set of national-level policy recommendations.

They worked in small teams to put together the first draft of recommendations, and came together again in December 2000 to review the feedback to the draft given by participants. The feedback was incorporated into the draft recommendations that were discussed in detail at a February 2001 meeting of representatives from all the sessions. The final recommendations were then prepared for this report.

We are grateful to all the advisors for the care they took in responding to the ideas and needs of the participants, and for their willingness to work together through the drafting process.

FOREWORD >

Crafting agricultural policy is an activity too often practiced only by professionals. The premise of the Wallace Center's Agriculture Policy Project is that the problems that concern people engaged in agriculture should be the driving force behind the development of policy. While many policy efforts strive for this, local citizens and groups are often asked to address national policy issues regardless of whether the policy change will benefit them.

Another problem with many policy development efforts is that all too often the visions that are to be the basis for policy recommendations are lost in the process of constructing and refining those recommendations. The Agriculture Policy Project policy advisory team did a wonderful job of creating recommendations that brought forward the concerns of the local participants, and of listening to their feedback.

These recommendations are the result of an inclusive process. Over 350 people took part in their development. The final draft was refined at a national policy meeting, which I attended, in which people with various local and regional experiences were brought together to address and provide input on the recommendations. They represented many local conditions, but did not vote for one policy over another. Instead, they were there to "ground-truth" the policy recommendations. Without this type of effort, policy can become so abstract that the original local concern that motivated the policy change is lost.

These recommendations are valuable, and merit your full attention. Furthermore, as you read them, you will gain an even greater appreciation for the process that helped create them.

The Agriculture Policy Project showed that agricultural policy can be driven directly by the needs of rural people. I feel fortunate to have been involved in this effort, and have no doubt as to the importance of the project to rural areas and to those engaged in the food and agriculture system.



Bill Northey
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LIST OF ACRONYMS >

ACRE	Agricultural Community Revitalization and Enterprise
AFO	animal feeding operation
AFPA	Agricultural Fair Practices Act
AMS	Agricultural Marketing Service
ARS	Agricultural Research Service
B&I	Business & Industry
BMP	best management practices
CAFO	concentrated animal feeding operation
CAMP	Coalition of Agricultural Mediation Programs
CCC	Commodity Credit Corporation
CFR	Code of Federal Regulations
CNMP	Comprehensive Nutrient Management Plan
CRAT	Civil Rights Action Team
CRP	Conservation Reserve Program
CRS	Congressional Research Service
CSA	community supported agriculture
CSREES	Cooperative State Research, Education, and Extension Service
DFO	direct farm ownership
DOJ	Department of Justice
DOT	Department of Transportation
EDA	Economic Development Authority
EPA	Environmental Protection Agency
EQIP	Environmental Quality Incentives Program
ERS	Economic Research Service
EZ/EC	Empowerment Zone/Enterprise Community
FAIR	Federal Agriculture Improvement and Reform Act
FAS	Foreign Agricultural Service
FDA	Food and Drug Administration
FMNP	Farmers Market Nutrition Program
FOTG	Field Office Technical Guide
FPP	Farmland Protection Program
FPPA	Farmland Protection Policy Act
FR	Federal Register
FSA	Farm Service Agency
FSIS	Food Safety and Inspection Service
FSMIP	Federal-State Marketing Improvement Program
FTC	Federal Trade Commission
FWPP	Farm and Watershed Protection Plan
GAO	General Accounting Office
GIPSA	Grain Inspection, Packers and Stockyards Administration
GIS	geographic information systems
GPRA	Government Performance and Results Act
HACCP	Hazard Analysis and Critical Control Point
HUC	Hydrologic Unit Code
HUD	Housing and Urban Development
IFAFS	Initiative for Future Agriculture and Food Systems
IWG	Interdepartmental Working Group
LCCP	Land Cover Characterization Program
LISA	Low Input Sustainable Agriculture

NADO	National Association of Development Organizations
NALS	National Agricultural Land Study
NASS	National Agricultural Statistics Service
NCPGA	National Contract Poultry Growers Association
NCSF	National Commission on Small Farms
NFU	National Farmers Union
NOAA	National Oceanic and Atmospheric Administration
NPDES	National Pollution Discharge Elimination System
NRCS	Natural Resources Conservation Service
NRECA	National Rural Electric Cooperative Association
NRI	National Research Initiative
NRI	National Resources Inventory
NSDI	National Spatial Data Infrastructure
OGC	Office of General Council
OIG	Office of Inspector General
OMB	Office of Management and Budget
P&SA	Packers and Stockyards Act
PDP	Professional Development Program
PDR	purchase of development rights
PM	particulate matter
REAP	Rural Economic Area Partnership
RBEG	Rural Business Enterprise Grants
RBS	Rural Business-Cooperative Service
RC&D	Resource Conservation & Development
RCDG	Rural Cooperative Development Grants
RMA	Risk Management Agency
SAES	State Agricultural Experiment Stations
SARE	Sustainable Agriculture Research and Education
SBA	Small Business Administration
SBDC	Small Business Development Center
TDR	transfer of development rights
TMDL	total maximum daily load
USDA	U.S. Department of Agriculture
USGS	U.S. Geological Survey
WIC	Women, Infants, and Children
WQIP	Water Quality Incentives Program

Making Changes: *Turning Local Visions into National Solutions*



The Agriculture Policy Project of the Henry A. Wallace Center for Agricultural & Environmental Policy at Winrock International is a five-year project initiated in 1997 to engage people at the local, regional, and national levels in the development of long-term, proactive policies for food and agriculture systems. The project is unique in that it has employed a participatory process to work with a diverse group of 350 people in 12 local and 3 multi-state, regional policy visioning sessions,¹ and 1 national session, and to develop national-level policy based on the results of those sessions.

Working in small groups, participants at each session addressed key issues of concern in their local or regional areas. The groups took up a broad range of issues—including environmental problems, land-use, contracts, and agricultural and economic development. The participants identified the critical policy problems and barriers for each issue, based on their own experiences, and to the best of their abilities, described improved policies to address these problems.²

In 2000, the project staff convened a group of 9 policy advisors to examine the output of the 16 policy sessions and to develop a set of national-level food and agricultural policy recommendations that directly responded to the critical concerns and policy change ideas of the local, regional, and national participants. All of the participants were invited to respond to the draft recommendations and over 100 comments were received on individual recommendations. The policy advisors then reviewed these comments and incorporated the recommendations into a revised draft.

In early 2001, a national meeting of participants was held in the Washington, DC, area to solicit final feedback on the draft recommendations. Several attendees from each session and the policy advisory team met to discuss the draft recommendations, and to network and share stories of local activities.

This report presents the final 95 policy recommendations in 9 issue areas. Because the project staff used a process that encouraged the inclusion of ideas from many individuals and organizations, individual recommendations do not necessarily represent the views of the Wallace Center staff.

Issue area 1: Federal agricultural policy explicitly supporting small and diversified farms >

One cross-cutting theme expressed by participants at many of the visioning sessions was that current federal agricultural policy is biased towards large, specialized farms, and that small and diversified farms need additional support. One response to this is to develop a new Small Farm Title for the 2002 Farm Bill that increases federal support for small-scale and diversified farms. This title would provide a prominent place in federal farm legislation for issues of small and diversified farms, and would focus resources on programs for research, technical assistance, credit, and other funding across USDA programs, in order to assist small and diversified farms and businesses that support small farms. This title would also provide the legislative authority and authorize appropriations for the USDA Office of Small Farms.

¹ The local sites include: Deaf Smith County, Texas; Madison, Henderson, and Buncombe Counties, North Carolina; Grand Traverse Bay Area, Michigan; Southcoastal Massachusetts; Ada and Canyon Counties, Idaho; Routt County, Colorado; Knox County, Nebraska; Parke and Montgomery Counties, Indiana; Sonoma County, California; Riverside County, California; Vermilion Parish, Louisiana; and Milwaukee, Wisconsin. The regional sites include: Chesapeake Bay (Delaware, Maryland, Pennsylvania, and Virginia); Southwest (Arizona, Colorado, New Mexico, and Utah); and Corn Belt (Illinois, Indiana, Iowa, Minnesota, and Nebraska).

² One result of this method is that some traditionally dominant federal agricultural policy issues, such as commodity program payments, loan payments, crop insurance, and disaster payments, did not emerge as the critical policy issues in any of the policy visioning sessions.

Issue area 2: Market access in the face of consolidation and vertical integration >



Structural changes, particularly in the processing sector, and the associated issue of market access are causing problems for many producers. Concerns identified by project participants included the weak enforcement of antitrust laws; consolidation of the input and processing sectors; privatization of price and contract information; and the need for increased capacity for producers to negotiate with handlers—particularly producers who engage in contract production. The two policy areas are:

Corporate control and concentration in the agricultural sector

Most of the policy recommendations in this area focus on (1) strengthening the USDA Grain Inspection, Packers and Stockyards Administration's (GIPSA) ability to enforce the Packers and Stockyards Act (P&SA); and (2) encouraging the Department of Justice (DOJ) to pay more attention to agriculture sector mergers and to broaden its focus on the impact of mergers to include producers.

Agricultural contract markets

Attention should be paid to federal policies that address the inequality in bargaining power for contracts between producers and processors. One policy recommendation is to strengthen the Agricultural Fair Practices Act (AFPA) to prohibit confidentiality clauses and to require processors to bargain in good faith with producer groups. Another recommendation is to facilitate access to information about contract terms, both through research and data collection, and to examine their consequences, in order to better educate and inform producers about contract agriculture.

Issue area 3: Alternative marketing channels >



Farmers are increasingly using direct marketing strategies, including cooperative development, to maintain and increase farm income. Many of them face significant barriers to developing alternative marketing channels. Farmers and others need policies to facilitate the development of marketing channels for cooperatives, value-added activities, direct marketing, and farmers' markets. In addition, some of the project participants were concerned that a significant barrier to increasing direct marketing and value-added agriculture activities is the ability of small-scale farmers and food processors to comply with food safety, labor, and environmental regulations at the federal, state, and local levels. Policy recommendations are divided into three categories:

Promotion of cooperatives and other organized, value-added marketing strategies

The policy recommendations in this section generally seek to broaden the use and authority of existing programs, such as the Rural Empowerment Zone/Enterprise Community (EZ/EC) Program, to support the development of marketing and processing cooperatives and other businesses to benefit small-scale farmers. Another provision is for additional information and technical assistance to be provided by the USDA, including the development of the Small Farm Entrepreneurial Development Initiative that was first described in the 1998 report, *A Time to Act*, from the National Commission on Small Farms (NCSF). The initiative would provide small farm operators and beginning farmers with targeted entrepreneurial training, integrated technical and legal assistance, and priority program funding to develop farmer-owned and -operated cooperatives and other businesses dedicated to value-added processing and marketing enterprises to serve local and regional community food systems.

Market development strategies for farmers' markets and direct marketing

The primary recommendation in this area is to reauthorize and strengthen the Farmer-to-Consumer Direct Marketing Act of 1976. The revised Act would (1) provide technical and financial assistance to urban and suburban agricultural fairs that link farmers with consumers; (2) facilitate the study of the use of the term "farmers' market," develop programs for farmers' market managers; (3) and train Cooperative Extension Services staff at land-grant universities in direct marketing techniques so they can better work with farmers in their states.

The effect of increased regulation on small-scale producers, processors, and/or direct marketers

In order to minimize the regulatory barriers to small-scale processors and direct marketers of agricultural products, while maintaining an acceptable level of food safety, environmental, and labor protections, project participants recommend the adoption of policies to: (1) study the effect of existing laws and regulations on small-scale processors and marketers; (2) evaluate the expected impact of new federal regulations prior to adoption to allow for public comment; (3) increase food processing research and development programs to find technologies that are appropriate for small-farm operators and processors; and (4) provide food safety training and publications aimed at farmers and farmers' markets.

Issue area 4: Research and cooperative extension >



Project participants agreed that research and cooperative extension programs should remain an important USDA activity. However, they felt that these programs need a new focus if they are to continue to meet a public purpose.

Research and education on new market opportunities

Policy recommendations in this area include: (1) strengthening existing programs, such as the Federal-State Marketing Improvement Program (FSMIP), the Fund for Rural America, and the Rural Cooperative Development Grant (RCDG) Program, through increased appropriations and focus on marketing development efforts; and (2) developing a new Agricultural Community Revitalization and Enterprise (ACRE) Program to provide grants for a wide variety of projects and activities, including research, education, training, and market research and development, which focus on stimulating and expanding economic opportunity and revitalizing the economies of agricultural communities through self-employment, high-value agriculture, new markets, value-retaining enterprises, local and regional food identity, and production geared to consumer preferences for social and environmental benefits.

Stakeholder input

The inability of stakeholders to have a voice in land-grant university research agendas was of concern to several visioning session groups. Recommendations in this section focus on amendments to the mandatory stakeholder regulation, which establish clear and succinct national minimum standards for stakeholder participation in decision-making about land-grant university formula funds. The amendments should: (1) include the creation of a fair and open process; (2) ensure balanced and diverse participation of stakeholders; (3) provide for complete transparency in the process; (4) provide a system of accountability to participants in the stakeholder processes; and (5) develop a comprehensive approach in which input is solicited for all aspects of the institution's activities related to formula funds.

Multi-disciplinary research

There was great concern in several groups that applied, multi-disciplinary research was neglected by university and USDA researchers at the expense of disciplinary, basic research. Participants believed it was necessary to institute policies that would encourage researchers to engage in applied research, and to reward them for their efforts. These recommendations include: (1) earmarking a portion of formula funds for multi-disciplinary applied research; (2) implementing training for USDA employees to improve the transfer of research results to client groups (particularly small farmers, minority and limited-resource farmers, beginning farmers, and other non-traditional farmers); and (3) ensuring flexibility in housing multi-disciplinary centers within universities such that they are located in the most supportive environments.

Issue area 5: Economic and rural development >

A number of visioning sessions brought up the need for comprehensive economic development in rural communities that maintains or strengthens the agricultural base. Issues discussed at these



sessions included the need for programs to increase both on-farm and off-farm job creation, improve community quality-of-life, and address credit and technical assistance needs.

Federal assistance to promote agriculture as part of rural development programs and policies

Project participants saw the need for policies that would strengthen the rural development infrastructure in the United States, particularly as it relates to agriculture, and would create more high-quality jobs that take advantage of the agricultural base. In particular, policy changes are needed to: (1) include small farmers and others in rural development strategic planning processes; (2) enhance the capacity of the USDA's Cooperative State Research, Extension, and Education Service (CSREES) to engage in agricultural development; and (3) conduct research on the impact and improvement of existing rural development programs.

Small agricultural businesses and lending programs

Access to credit and capital in rural areas, particularly for small farms and agricultural businesses, was of concern to many visioning session participants. Policy recommendations were developed that would: (1) provide adequate support to service small loans and target loans to small farms and businesses; (2) provide improved coordination of and access to information about grant and credit programs; and (3) develop more grant and investment vehicles for small agricultural businesses in rural communities.

The role of the SBA and SBDC in stimulating agricultural enterprises

A lack of coordination between the USDA and the Small Business Administration (SBA) hinders the ability of the SBA and its associated Small Business Development Centers (SBDCs) to assist farmers and agricultural business needing the SBA's expertise (e.g., experienced farmers looking for new market opportunities, beginning farmers interested in a variety of business training opportunities, and agricultural cooperatives seeking formation and venture capital assistance). Project participants favor the adoption of policies that would: (1) target more SBA outreach to farmers and farm families; and (2) enhance integration of USDA and SBA programs to assist farmers and agricultural businesses.

Conflict resolution in rural communities

Mediation programs are conducted in a confidential and non-adversarial setting outside the traditional process of litigation and appeals. Agricultural mediation can often help parties reach consensus after one or two meetings, thus settling disputes and resolving cases at significantly lower cost, and in a more timely fashion, than might be achieved by court action or formal appeal to the USDA's National Appeals Division. Not all states have funding to participate in USDA mediation, and mediation is currently limited to credit, conservation, and environmental requirements (e.g., wetland delineation decisions). Project participants would favor an increase in USDA funding to allow more states to enter mediation programs and to broaden the issues covered by mediation.

Issue area 6: Special populations of farmers and farmers in pockets of poverty >



Several populations of farmers and rural citizens have fallen behind as the U.S. agricultural sector and the national economy undergo dramatic changes. There is concern about USDA's current capacity to assist special populations of farmers and farmers located in areas identified by social and demographic experts as "pockets of poverty." Underserved special populations include African-American, Hispanic, American Indian, and women farmers. Those "pockets of poverty" that have received some level of attention in the past, but still require special efforts, include Appalachia, the Delta region, tribal land and reservation areas, and many rural areas. Policy recommendations include: (1) forming a special White House Commission on Rural Poverty to address the causes and effects of "pockets of poverty"; (2) strengthening the USDA Office of Outreach by authorizing it in legislation and including appropriations and a structure within USDA to adequately support it; and (3) meeting the USDA's obligations to farmers who have been discriminated against, including payment of claims tied to the Pigford class action lawsuit.

Issue area 7: Young, beginning, and retiring farmers and ranchers >



The aging of the farm population and barriers to new entrants into farming are two topics that have been much discussed in the policy arena, but with little forthcoming in the way of strategic planning and action. Participants from five local visioning sessions identified barriers to new farm entry as a critical issue. These barriers include: (1) insufficient farm exit and farm entry strategies; (2) inability to acquire initial capital investment and credit; (3) a policy bias favoring current over future landowners; (4) high rental rates and land prices due to heightened competition from established farmers or developers; (5) difficulty in identifying viable farm entry opportunities; (6) lack of community support; and (7) inadequate financial, managerial, production, and marketing assistance.

Credit for new farmers and ranchers

Although credit is one area where the USDA currently has programs explicitly targeted to beginning farmers and ranchers, several of these programs need refinement to make them more useful, including increased flexibility or expanded time frames. Programs that need modification include the Down Payment Farm Ownership Loan Program; aggie bond programs; Inventory Land Sale Program; Direct Federal Ownership (DFO) real estate loans; and Interest Assisted Guaranteed Loan Program. In addition, some programs, such as “preferred lender” status for banks, borrower training programs, and loan assessment and market placement provisions, need to be evaluated to ensure that they are adequately meeting the needs of beginning farmers and ranchers.

Strengthening other beginning farmer and rancher programs

Aside from credit programs, the USDA has no programs targeted to beginning farmers. This is particularly true for technical assistance. Policy recommendations include: (1) developing education and outreach programs to assist beginning farmers; (2) conducting research specifically to assist beginning farmers; and (3) improving assistance to retiring farmers and ranchers in regard to transferring their farms to beginning farmers and ranchers, and starting farm transfer planning early in a beginning farmer’s career.

Issue area 8: Farmland preservation and sprawl management >



Comprehensive, long-term land use planning is necessary to enhance farmland protection and minimize the negative impacts of urban sprawl. Issues regarding farmland preservation and sprawl management were taken up at a majority of the visioning sessions. Several participants stated that although their communities are very supportive of agriculture and are instituting farmland protection strategies, local, state, and national efforts are not adequate to address the growing loss of agricultural lands to non-agricultural uses.

Strengthening and broadening USDA’s Farmland Protection Program

The only USDA program that provides federal funding for farmland protection is the Farmland Protection Program (FPP), administered by the Natural Resources Conservation Service (NRCS). Although the program has been successful where it has been implemented, project participants would like to see policies that increase the capacity of the federal government to assist states and local communities with farmland protection. They recommend: (1) increasing the funding for and strengthening the FPP; (2) implementing a partnership between the USDA and Environmental Protection Agency (EPA) to address sprawl management and farmland protection; and (3) allocating competitive grant funds to research on farmland conversion.

Supporting the National Spatial Data Infrastructure

One barrier to making informed policy about farmland protection is the lack of and difficulty in accessing detailed data available on the types and impact of farmland conversions. Participants recommend speeding up implementation of the National Spatial Data Infrastructure (NSDI) project to improve the use of geographic information systems (GIS). They also support policies to conduct more research on improving the definition of and quantifying the development threat to farmland.

Linking farmland protection programs, natural resource conservation, and agricultural economic development

One critical issue identified by participants is the need to maintain farming as an economically and environmentally viable option in order to preserve farmland. They recommend implementing policies that would encourage states and local communities to foster strong linkages among farmland protection, natural resource, and agricultural economic development programs in areas where farmland is threatened. This could be done by giving states or local areas with integrated programs priority for federal FPP funding.

Issue area 9: Water and air quality >



Water quality, atmospheric deposition of nutrients, and air quality (predominantly air particulate matter) as they relate to agriculture were issues brought up in a number of visioning sessions. In addition, the lack of policy coordination for water and air issues was a cross-cutting concern among most of the sessions that addressed water and air quality. The three policy recommendation areas are:

Comprehensive nutrient management planning

Nutrient management for water quality is an issue that is being discussed in many policy venues. Project participants felt that there are areas where current policies could be strengthened. Recommendations include: (1) developing farm and watershed management plans for nutrients; (2) developing nutrient standards to address issues beyond confined animal feeding operations (CAFOs); and (3) including nutrients, such as phosphorus, and ammonia deposition in plans and management standards. In addition, recommendations also include programs to encourage alternative production practices and alternative uses of production by-products to reduce nutrient loadings. New and innovative programs, such as a Yield Reserve Program, which would encourage farmers to apply fertilizers at below agronomically recommended rates in sensitive areas in return for a form of crop insurance, and a Nutrient Reduction Trading Program, are also recommended.

Air quality

Although some public interest has developed around agricultural impacts on air quality, and related health and quality-of-life issues, there currently exist few regulatory, technical assistance, incentive, or market pressures to encourage landowners to modify their current management practices to address air quality problems recognized by local communities. The more contentious issues have involved nuisance odor and dust (particulate matter) problems. There is little information and research on the long-term health effects and economically viable best management practices for particulate issues. Project participants favored implementation of the recommendations of the USDA Agricultural Air Quality Task Force. Those mentioned for special attention include: (1) research to refine monitoring and measuring of agricultural air quality emissions, and increased monitoring at the local level; (2) development of integrated water and air quality control programs; (3) implementation of educational and technical assistance programs that help producers protect air quality; (4) economic assessment of existing control technologies; and (5) increased funding for these research and education initiatives.

Policy coordination for water and air pollution

Two visioning sessions raised concerns about the lack of policy coordination in regulation of air pollution and water pollution. It is clear that water and air quality regulations sometimes work at odds with each other. Participants also expressed concern that resources to assist farmers in addressing water quality are fractured, and that institutions need to work together and be better coordinated. They felt incentives and mechanisms to integrate agency efforts are needed, and recommended starting with a review of the EPA and USDA's current coordination on agro-environmental problems.

PROJECT OVERVIEW >

The Agriculture Policy Project of the Henry A. Wallace Center for Agricultural & Environmental Policy at Winrock International is a five-year project initiated in 1997 to engage people at the local, regional, and national levels in the development of long-term, proactive policies for food and agriculture systems. The 95 recommendations found within this report are one outcome of this innovative project. Another outcome has been the initiation of institutional and policy change at both the local and national levels, and a third has been an increase in the involvement of individuals and groups around the country in the development and pursuit of improved food and agriculture policies.

The project was begun to address three main issues of concern to the Wallace Center: (1) the disengagement of people working in food and agriculture from both local and national policy processes; (2) the lack of an articulate vision of what the food and agriculture system should be in the future; and (3) a dearth of national policy goals reflecting complementary needs at the local and regional levels. The project was designed to integrate facets of community organizing, participatory democracy, peer networking, and scaling-up from local work to the national level, to address these needs and incongruities, and to create a policy and institutional change process that the staff felt could be successful in engaging local people, and in bringing relevant policy needs to the national level.

To begin the project the Wallace Center facilitated a series of 12 local and 3 multi-state, regional policy visioning sessions,¹ and 1 national session. Working in small groups, participants at each session addressed key issues of concern in their local or regional areas. These issues spanned a broad range of topics—including environmental problems (e.g., animal agriculture and ammonia volatilization), land-use issues (e.g., farmland preservation), structural issues (e.g., agricultural contracts), and agricultural development (e.g., new market development and value-added opportunities). A listing of the various visioning sessions, and the issues taken up at each session, can be found in Appendix A. The participants identified the critical policy problems and barriers for each issue, based on their own experiences, and to the best of their abilities, described improved policies to address these problems.²

After the sessions, the 12 local groups were encouraged to develop a plan for follow-up work based on their discussions. Nine of the local groups were successful in developing their plans, and received a small grant and assistance from the project to carry out their work. Over the past two years, these groups have been very successful in addressing the critical concerns and needs of their communities, through community development efforts as well as policy change.

In 2000, the project staff convened a group of 9 policy advisors to examine the results of the 16 policy sessions and to develop a set of national-level food and agricultural policy recommendations that reflected the ideas of the local, regional, and national participants. All of the participants were invited to respond to the draft recommendations and over 100 comments were received on individual recommendations. The policy advisors then reviewed these comments and incorporated the recommendations into a revised draft.

In early 2001, a national meeting of participants was held in the Washington, DC, area to solicit final feedback on the draft recommendations. Several participants from each session and the policy advisory team met to discuss the draft recommendations, and to network and share stories of activities at the local level.

¹ The local sites include: Deaf Smith County, Texas; Madison, Henderson, and Buncombe Counties, North Carolina; Grand Traverse Bay Area, Michigan; Southcoastal Massachusetts; Ada and Canyon Counties, Idaho; Routt County, Colorado; Knox County, Nebraska; Parke and Montgomery Counties, Indiana; Sonoma County, California; Riverside County, California; Vermilion Parish, Louisiana; and Milwaukee, Wisconsin. The regional sites include: Chesapeake Bay (Delaware, Maryland, Pennsylvania, and Virginia); Southwest (Arizona, Colorado, New Mexico, and Utah); and Corn Belt (Illinois, Indiana, Iowa, Minnesota, and Nebraska).

² One result of this method is that some traditionally dominant federal agricultural policy issues, such as commodity program payments, loan payments, crop insurance, and disaster payments, did not emerge as the critical policy issues in any of the policy visioning sessions.

This report presents the final 95 policy recommendations developed by the project's team of policy advisors, based on the information from the policy visioning sessions. The recommendations are divided into nine issue areas, and are classified by the type of policy change needed (e.g., legislative, regulatory, or other).

- [LEGIS.] Assumes that new legislation or a change in existing legislation is needed.
- [REPT. LANG.] Congressional report language would help this recommendation.
- [OVERSIGHT] Requires congressional oversight or review.
- [APPROPS.] New or additional funds need to be appropriated to achieve this recommendation.
- [REGS.] Requires either new regulations or a change in existing regulations.
- [ADMIN.] Requires some administrative effort in addition to, or rather than, new legislation or regulations.
- [STATE] Requires state-level policy change.
- [OTHER] This is a private-sector policy recommendation.

Because the project staff used a process that encouraged the inclusion of ideas from many individuals and organizations, individual recommendations do not necessarily represent the views of the Wallace Center staff.

Federal Agricultural Policy Explicitly Supporting Small and Diversified Farms



Federal agricultural policy, and the governmental structure that supports it, are rooted in a time when American agriculture was more homogeneous, both in terms of farm size and in the mix of enterprises found on a typical farm. Over recent decades, however, the organization of agricultural production in the United States has become bimodal. One segment of the agricultural sector is made up of a relatively small number of large, highly specialized farms that produce the majority of the nation's agricultural output. These operations typically need considerable amounts of capital, hired labor, and purchased inputs, and often are part of a marketing system based upon contracts. The other segment of the agricultural sector, representing the vast majority of U.S. farms, consists of small and mid-sized operations that often use farm-produced inputs, are more diversified, and rely less on hired labor. These farms individually produce small quantities of foods such that mainstream marketing channels are increasingly unable or unwilling to deal with them.

The bimodal structure of U.S. agriculture has been studied and described for several decades (e.g., Cochrane, 1993; NRC, 1989; Penn, 1979; USDA, 1981). However, the framework for agriculture policy has done little to acknowledge its existence. Although agricultural legislation continues to pay homage to the desirability of maintaining the family farm, the bulk of federal farm policy has steadily shifted focus over the last 50 years from small farms, to medium-sized farms, and eventually to large farms (Browne, 1988). For example, government payments that are based upon volume of output are clearly more important to large, specialized farms than to small and diversified farms (Gardner, 1987, p. 148–151). Research and cooperative extension programs are geared to increasing output per acre or animal unit, which also implicitly benefits larger, specialized enterprises. Regulatory standards typically impose significant fixed costs per farm that can be more easily absorbed when they are spread over a larger volume of production. In addition, farm organizations currently are inclined to be more focused on special commodity interests than on general farm issues.

The net effect has been that U.S. agriculture policy has provided significant support for large farms, while at the same time maintaining the façade that small and medium-sized farms are its focus. As a result of this discrepancy, there has been a growing desire by some producers, and most environmental and consumer organizations, to restore federal agricultural policy to its origins and provide assistance to the traditional family farm. However, these enterprises continue to dwindle in number (Sommer et al., 1998), making a reversal of policy difficult. A better balance would be struck by recognizing the bifurcation of the agricultural sector, and developing parallel policy paths that address the needs of the two distinct forms of agriculture. Existing policy has enabled large farms to supply large volumes of traditional agricultural commodities, albeit with negative consequences for our natural resources and rural communities. Yet, there is a growing need for diversified farms and a market for the specialized outputs that can be produced by these farms.

One cross-cutting theme expressed by participants at many of the visioning sessions was that current federal agricultural policy is biased towards large, specialized farms, and that small and diversified farms need additional support. Inevitably, policies that support small and diversified farms require an emphasis on appropriate technology, financing, marketing, and processing.

RECOMMENDATION >

> 1. Add a Small Farm Title to the 2002 Farm Bill. [LEGIS.]

The Congress should develop a new Small Farm Title for the 2002 Farm Bill that provides a prominent place in federal farm legislation to explicitly address the needs of small and diversified farm operations that are not adequately supported by current programs. Incorporating a comprehensive Small Farm Title within the Farm Bill would renew the national commitment to the family farm without forcing agricultural programs into a one-size-fits-all framework. These policies require an emphasis on appropriate technology, financing, marketing, and processing.

Within the Small Farm Title, subtitles would:

- Codify and authorize appropriations for a U.S. Department of Agriculture (USDA) Office of Small Farms that would coordinate small farm programs and individual agency activities under this title. This function at the agency level would be funded through specific appropriated earmarks in each agency's operating budget for small farm activities;
- Target resources in existing agricultural research and extension programs such as the National Research Initiative (NRI) and other competitive grants programs; the Hatch Act (7 U.S.C. §361(a) *et seq.*) and Smith-Lever Act (7 U.S.C. 341 *et seq.*); special grants and earmarked appropriations to research and education agencies such as the USDA's Agricultural Research Service (ARS), Cooperative State Research, Education, and Extension Service (CSREES), and Economic Research Service (ERS); and, as needed, develop new programs to conduct basic and applied research, technical assistance, and outreach programs that explicitly assist small and diversified farms and the agricultural businesses that support small farms;
- Within the USDA, adapt existing Farm Services Agency (FSA) and Rural Business-Cooperative Service (RBS) grant and loan programs to develop innovative ways to sponsor and provide credit, capital, and business training and technical assistance to small and diversified farms, as well as cooperatives and other forms of agriculture-based businesses that support small farms and rural communities; and
- Increase funding for and better coordinate existing efforts within the USDA, and across federal agencies such as the Department of Commerce, Department of Defense, and Department of Housing and Urban Development (HUD), in order to develop new and improved marketing outlets and agricultural value-added efforts that can generate local economic activity by building on existing agricultural production capacity.

Market Access in the Face of Consolidation and Vertical Integration



Over the past several decades, U.S. agriculture has undergone profound structural change. Farming, food processing, and food retailing have been concentrating into fewer and larger operations. This has been accompanied with geographic concentration of production and processing of many commodities. Increasing vertical integration (i.e., the coordination or ownership of various levels of production, processing, and distribution of farm products under one decision-making unit) and the growing use of contracts have also occurred. These changes have not gone unnoticed, and a sustained period of low farm prices has generated renewed Congressional interest in concentration and market power within agriculture (Jones, 2001).

Although access to markets is an issue throughout the agricultural sector, much of the recent attention has centered on livestock markets and U.S. meatpacking. While consolidation took place in the poultry sector many decades ago, more recently, the same phenomenon in cattle and hog slaughtering has raised the concerns of livestock producers. Consolidation, and a shift toward larger meatpacking plants, has led to sharply increased concentration in cattle slaughter and to concerns over the future of competition in the industry. Today, four firms handle nearly 80 percent of all steer and heifer slaughter; just two decades ago, the level of concentration was less than half as high. This consolidation is tied to geographic concentration. For example, today's largest cattle slaughtering plants operate in a limited geographic area including Nebraska, Kansas, eastern Colorado, and the Texas Panhandle (MacDonald et al., 2000).

These structural changes, along with the associated issue of market access, are problematic for many producers. Specific concerns identified by participants in the Knox County, Nebraska, local visioning session, the Chesapeake Bay and Corn Belt regional sessions, and the national session include: weak enforcement of antitrust laws; consolidation of the input and processing sectors; privatization of price and contract information; and the need for increased capacity for producers to negotiate with handlers—particularly producers who engage in contract production. The policy recommendations that have been developed out of the results of the visioning sessions fall into two areas—policies to address the broad issue of corporate control and concentration, and policies specifically addressing contract production.

Corporate control and concentration in the agricultural sector >



Consolidation and vertical integration in the production and manufacturing sectors were perceived by vision session participants as important factors reducing market access for small, moderate-sized, and independent producers. Open markets in many commodities are decreasing as vertically integrated production and contract production grow in importance. Session participants also perceived that existing laws, such as anti-corporate farming laws at the state level, the Packers and Stockyard Act of 1921 (7 U.S.C. 181) (P&SA), and antitrust laws, appear to be having no effect on curtailing the current trend toward consolidation and vertical integration in the food production system.

Antitrust laws are the key federal legislation addressing access to livestock markets. The Sherman Act of 1890 (15 U.S.C. §§1–7) focuses on monopolies in restraint of trade and is enforced by the Department of Justice (DOJ). The Clayton Act of 1914 (15 U.S.C. §§12–27, 29 U.S.C. §§52–53) addresses activities that fall short of monopoly practices, but nonetheless injure competition and lead to anti-competitive conditions in an industry or market. The Clayton Act is enforced by the DOJ and the Federal Trade Commission (FTC). The FTC's authorizing legislation,

the Federal Trade Commission Act of 1914 (15 U.S.C. §§41–51), states that unfair methods of competition are unlawful, and gives the agency the authority to regulate most commerce to prevent non-competitive practices (Task Force on Competition and the Livestock Market, 1990).

The P&SA, administered by the USDA's Grain Inspection, Packers and Stockyards Administration (GIPSA), was established to ensure fair trade practices and competitive markets for livestock, meat, and poultry. This includes fostering fair and open competition and guarding against deceptive and fraudulent practices that affect the movement and price of meat animals and resulting products. The Act gives the USDA general supervision of the meatpacking industry, transferring FTC authority over this industry to GIPSA and creating certain overlaps in jurisdiction with the DOJ. GIPSA conducts investigations for compliance with the P&SA and can resolve non-compliance through notices and administrative actions. Any legal action, however, comes under the jurisdiction of the DOJ (Task Force on Competition and the Livestock Market, 1990; USDA GIPSA, 1998).

RECOMMENDATIONS >

> 2. Congress should enhance the ability of USDA to address unfair or discriminatory trade practices. [LEGIS.]

The Congress should take decisive and immediate action to enhance the Secretary of Agriculture's authority to address unfair or discriminatory practices and to address the problems in the current agricultural market structure. One example of an attempt to do this is the Farmers and Ranchers Fair Competition Act of 2000 (S. 2411) as introduced in the U.S. Senate on April 12, 2000.

> 3. GIPSA should enforce the Packers and Stockyards Act. [LEGIS.][REGS.][ADMIN.]

GIPSA should aggressively enforce the P&SA and continue to pursue revisions in its regulations and operations guidelines in order to more effectively monitor and seek enforcement actions against violators.

The overwhelming consensus of local and regional agrarian grassroots organizations is that GIPSA should issue substantive rules that place restrictions on captive supply and procurement practices of packers, packer ownership of feeder livestock, and certain forms of non-fixed base price contracts. In addition, GIPSA should require marketing agreements and forward contracts to be publicly traded, and should prohibit discrimination in pricing except for quality differentials and for savings in transaction costs to packers and other livestock procuring firms. GIPSA should also aggressively enforce the P&SA to address captive supply and vertical integration concerns.

Finally, in the absence of adequate enforcement of GIPSA at the federal level, the State Attorneys General should be authorized by law to bring enforcement actions.

> 4. Increase DOJ's role in regulating agricultural sector mergers. [REGS.][ADMIN.]

The DOJ should establish a lower and/or more concrete threshold for review of agricultural mergers and should develop guidelines for enforcement of existing antitrust authority. The agency should occupy an unquestioned lead position in the enforcement of antitrust and antitrust competitiveness laws.

> 5. DOJ should consider the effects of mergers on producers. [LEGIS.][REGS.][ADMIN.]

The DOJ should examine the impact of agricultural sector mergers on producers, as well as on consumers. Currently, the agency addresses the effects of mergers only on prices paid by consumers. The focus of inquiry should move beyond merely the effect of mergers on consumer prices, to incorporate examination of the effects of such mergers on competitiveness within the agricultural sector. This added focus will in all likelihood require legislation.

In addition, the DOJ should examine the effects of pending mergers on small farm operators and on the bargaining power of those who will be producing in contractual relationships with the

remaining corporate entity. In these efforts, the DOJ should work in concert with USDA agencies, such as GIPSA and the Agricultural Marketing Service (AMS). The USDA should be required to report annually to the DOJ concerning the effects of mergers within the agricultural sector on producers and rural communities. In furtherance of this requirement, the USDA should undertake relevant research focused on developing new economic, environmental, and social models to assess the impact of agricultural business relationships on consumers, other producers, and rural communities.

> **6. USDA should collect information on mergers.** [ADMIN.]

The USDA should gather more comprehensive information on the effect of mergers on the food production system to ensure fairness in the relationships that define agricultural production, in areas such as contracts, access to markets, and prices to producers.

> **7. Congress should establish special oversight on mergers.** [LEGIS.][OVERSIGHT]

The Congress should immediately appoint a Special Counsel to investigate prior mergers and pending mergers. In addition, Congress should immediately begin formal oversight hearings into agricultural mergers.

Agricultural contract markets >



Risks and rewards are an inherent part of agricultural production. The farmer's challenge is to minimize or distribute farm risks while maximizing farm benefits. Farmers have utilized various business relationships—crop share leases, partnerships, and production and marketing contracts—as ways to minimize financial risks. Contracts are agreements between farmers and companies, or among farmers, that specify conditions of producing and/or marketing an agricultural product, and generally specify quality requirements, prices, and quantities. The form of a contract can vary greatly among commodities and among producers of the same commodity. However, there are generally two types of contracts—production contracts and marketing contracts (USDA ERS, 1996). The growing use of contract production has generated a substantial public debate about the structure of U.S. agriculture and the environmental effects of modern agricultural production systems.

Although contracts have allowed some individuals to enter production agriculture and have helped other producers minimize their risks and thus maintain their livelihoods on the farm, news reports and testimonials by farmers and others (Fesperman and Shatzkin, 1999; US State Attorneys General, 2000; USDA NCSE, 1998) have shown that some contract producers are ill equipped to enter into the contract production business. Failure to understand the legal requirements of a contract, inability to control the quality of inputs, changing environmental requirements, and required capital investments are cited by some producers as problems they have encountered under various contracts. Prospective contract producers often do not have adequate information or legal representation to carefully evaluate the merits of a given contract or contract alternatives, or the prospective liability under the contract. Producers may also be accepting contract terms that are inconsistent with debt obligations, do not factor additional capital investments into the farm's cash flow plan, and do not provide a sound exit strategy should the producer decide to leave the business.

Critics generally point to unequal bargaining power in contract negotiations as a key problem with today's contract production system. A contract producer's success under a given contract can be dependent on factors outside of the producer's direct control, such as the health of the animals provided, feed quality, and new capital requirements (Roth, 1992). Some farmers allege that contractors have used control of these elements in a punitive manner to reduce a producer's competitiveness.

In addition, under many existing contracts, meeting environmental quality standards is the responsibility of the contract farmer. Some contract producers, however, may not have the

expertise or ability to meet these legal requirements in an environmentally sustainable manner. Additional environmental requirements placed on the farmer merely compound his/her difficulties in making the operation profitable. Traditional management of environmental quality, within a livestock contract, has relied upon land application and crop nutrient management. For some land owners/contract producers, crop nutrient management may be inadequate to address the environmental demands of a contract production operation. Alternative environmental management options that help contract producers meet current environmental standards, without extensive capital costs, are needed in order to alleviate the environmental concerns surrounding contract production.

The challenge confronting the agricultural industry is to improve current laws, practices, and programs to ensure fairness and balance in agricultural production contracts.

RECOMMENDATIONS >

> 8. Congress should pass legislation to address inequities in bargaining power between producers and corporations. [LEGIS.]

The Congress should take immediate action to pass meaningful legislation that will address the inequities in bargaining power between contract producers and the corporations for which they produce. Two important actions include the following:

- The Congress should amend the Agricultural Fair Practices Act of 1967 (7 U.S.C. §§2301–2306) (AFPA) to prohibit any confidentiality requirement that bars a producer from seeking legal or financial advice when considering a contract or when responding to federal or state agency requests for information.

One challenge in collecting uniform information from contract producers can be the confidentiality provisions that may exist within a farmer's contract. Some states have begun to implement laws that prohibit confidentiality requirements within a contract, but these laws are not widespread. New federal authority is required to prevent confidentiality requirements in a producer's contract from thwarting the intent of a federal information collection and reporting system.

- The Congress should approve legislation providing authority to agricultural organizations or cooperatives to collectively bargain on behalf of contract producer groups affiliated with the respective entity.

Contract producers need the benefit of legal expertise and negotiating skills to develop contracts that achieve an optimal division of risks and benefits. Companies that utilize form contracts often rely upon legal counsel to draft contracts and oversee contract negotiations. In contrast, individual producers may not have the resources needed to obtain effective legal, financial, and negotiating assistance to ensure fairness throughout the contract process. Collective bargaining by producer organizations could help reduce the cost and risk that contract producers face in developing, signing, and implementing a production contract.

A provision barring confidentiality requirements was proposed by Senator Tom Daschle (D-SD) within the Farmers and Ranchers Fair Competition Act of 2000 (S. 2411, Section 6(a)(3)). Senator Tom Harkin (D-IA) and Representative Marcy Kaptur (D-OH) each proposed legislation—the Agricultural Producer Protection Act of 2000 (S. 3243) and the Family Farmer Cooperative Marketing Amendment Act of 1999 (H.R. 2830), respectively—which would amend the AFPA to provide for the accreditation of associations as bargaining units, allow the assignment of dues or fees for the purpose of representing members within bargaining associations, and create investigative procedures and administrative remedies for violation of the Act.

> **9. State legislatures should pass legislation to strengthen the positions of contract farmers.** [STATE]

State legislatures should pass legislation creating stronger bargaining positions of and protections for contract producers. States such as Michigan and Minnesota currently have strong laws to protect contract farmers. Minnesota's state contract farming law, the Producer Protection Act (MN Stat. §17.90 *et seq.*), is generally credited with being the best law for contract producers in any U.S. state. It includes five key provisions: (1) recapture of capital investment; (2) alternative dispute resolution; (3) parent company liability; (4) implied promise of good faith; and (5) licensure. Michigan has one of the nation's toughest state agricultural bargaining laws, the Michigan Agricultural Marketing and Bargaining Act (MI Stat. §290.701 *et seq.*). Under the Act, processors are required to bargain in good faith with farmers and must go to arbitration if a price is not agreed upon.

> **10. USDA should develop a formalized system for collecting information about production contracts.** [REPT. LANG.][APPROPS.][ADMIN.]

The Congress should direct the USDA to develop a formalized system for collecting information about production contracts for major agricultural sectors where contracts are prevalent (e.g., pork, poultry, grain, and vegetables). This information should be published in a report twice yearly to ensure that potential contract producers have current information available for evaluating a contract. Authority for this exists within current law (7 U.S.C. §1622 (b), (g), & (n)). New appropriations and report language could effectuate this objective. Such report language should provide for an advisory committee within the agency that would identify the critical business factors that USDA should track when monitoring production contracts. The advisory committee should utilize economic and financial management experts, national commodity organizations, contract producers, and representatives of contract production companies to ensure proper balance in the design of the data points and collection methods.

A USDA-sponsored, semi-annual report evaluating the financial factors of contracts would provide a market incentive for raising the minimum standards and returns for contract production. Then, if a company's contract consistently falls below national standards, as published in the agency's report, the company will face greater challenges in signing new farmers unless the deficiencies are corrected. Producers considering contract production need to have objective, balanced financial information to fairly evaluate business opportunities. Currently, producers may rely too heavily on financial information from the contracting company.

Since net returns will vary as a result of the age of an operation, geography, and other factors, some guidance will be necessary to ensure that the data collected are relevant for producers making contract production decisions. In addition, the variability of contracts from one industry segment to the next and from one company to the next is another reason why a USDA advisory committee would be useful in establishing the parameters for the agency's contract production monitoring and reporting work.

> **11. Establish projects to provide information and assistance with contracts.** [ADMIN.]

The USDA should request proposals for projects under the Initiative for Future Agriculture and Food Systems (IFAFS) authority to assist producers in evaluating the business, legal, financial, and environmental aspects of new contract production opportunities. National and regional educational programs helping producers evaluate production contracts would help maximize contract fairness.

The Agricultural Research, Extension and Education Reform Act of 1998 (P.L. 105-185) set forth several new Congressionally mandated priorities for USDA-CSREES. IFAFS, a new program, is targeted at emerging issues in agricultural production, including future food production issues, environmental quality concerns, and farm income. The Act directs the Secretary of Agriculture to give priority to "farm efficiency and profitability, including the viability and competitiveness of small- and medium-sized dairy, livestock, crop, and other commodity operations."

> **12. Train local attorneys on contract production.** [OTHER]

The American Bar Association, American Agricultural Law Association, Farmers Legal Action Group, and other appropriate organizations focused on providing agriculture-related educational services should develop programs to assist local attorneys in providing information to farmers about the challenges and opportunities of contract production.

With the availability of increasing numbers of attorneys informed about contract production, potential contract producers would be more likely to consult an attorney before signing a production contract. Helping attorneys understand the production aspects of an agricultural production contract will make them more effective advocates for their clients in minimizing the transfer of risk to the contract grower.

> **13. Third party organizations should develop a mechanism for evaluation and analysis of contracts.** [OTHER]

Although government-sponsored economic studies will ultimately give producers some perspective on how a potential contract compares with industry standards, generic evaluation places little pressure on those companies with contracts that are below the industry standard. Government is limited in its ability to put forward information that is specific to private individuals or companies. Non-governmental organizations have the ability to provide more specific information regarding how farmers view various companies. A model for this type of study and report is a survey conducted by the Alabama Farmers Federation to evaluate grower satisfaction with various production practices and companies. Conducted on a national scale, this type of report would provide prospective contract producers with a better indication of the companies and contracts likely to provide a reasonable return, or likely to undermine a farmer's ability to be successful.

> **14. Develop a national outreach and coordination entity to provide educational materials on contracts.** [OTHER]

While numerous non-governmental organizations are looking at the needs of contract producers, there is little coordination among these groups. Organizations including the National Contract Poultry Growers Association (NCPGA), National Farmers Union (NFU), and American Farm Bureau Federation are each engaged, at some level, in evaluating the use of contracts. Funding should be provided to a national, non-governmental organization to develop an outreach and coordination entity that would ensure that consistent messages are delivered through a wide range of agricultural organizations. Educational programs and materials, model state laws, and referral networks of legal and financial experts who can help farmers evaluate contract opportunities are ways that non-governmental organizations can increase market pressure on private companies to raise the financial, environmental, and ethical standards for contract production.

> **15. Farm organizations should develop networking teams to add negotiating power for producers.** [OTHER]

Farm organizations, which have the greatest incentive to encourage producers to work cooperatively to enhance market power, should assist in developing networking teams, where feasible, to help gain negotiating power for producers. Educational programs and information on the challenges and opportunities of networking groups can be shared with producers to help encourage the formation of such local groups. Producers can then utilize the advantages of greater output, lower transaction costs, and greater expertise as selling points for developing contracts that provide a greater return to the networking group's members.

Alternative Marketing Channels



There is a growing recognition among farmers that if they are to boost their economic returns from farming, they need to find ways to earn a greater share of the consumer dollar by adding value to their products. To do so, farmers are increasingly using direct marketing strategies, including cooperative development and a host of direct marketing schemes (e.g., farmers' markets, pick-your own operations, community supported agriculture (CSA)³, and roadside stands), in an effort to maintain and increase farm income.

Fortunately, at the same time, there has been a growing demand on the part of consumers for less processed, fresher, and locally produced food. Although this trend, and the product demand it has generated, is small in comparison to the demand for conventional food products, it has grown sufficiently in the last decade to merit attention from producers, policymakers, and researchers.

Many challenges face the farmers and communities interested in building alternative marketing channels. It is often difficult for an individual producer to take advantage of new niche market opportunities. As a result, smaller-scale producers are developing innovative and cooperative market development and access strategies. The National Commission for Small Farms, in the report *A Time To Act* (USDA NCSF, 1998), has identified a growing interest among farmers to engage in cooperation—whether through alliances, networks, or formally organized cooperative business organizations. However, cooperative development has its share of problems and criticisms. Information and assistance in cooperative development are needed in a variety of areas, including greater support and knowledge of the business and marketing skills necessary for a successful cooperative. This includes, among other things, financial, legal, and marketing research capacity to bring a new product to market. Farmers also confront challenges and information needs in marketing their products directly to consumers and/or retailers. For farmers using direct marketing and value-added processing avenues, there is a need for greater entrepreneurial development efforts, as well as technical and financial assistance.

Participants in the Sonoma County, California; Ada and Canyon Counties, Idaho; Parke and Montgomery Counties, Indiana; Knox County, Nebraska; and Madison, Henderson, and Buncombe Counties, North Carolina, local visioning sessions; the Chesapeake Bay and Southwest regional sessions; and the national session were interested in pursuing these alternative marketing options. They expressed the need for policies to aid development of marketing channels for cooperatives, value-added activities, direct marketing, and farmers' markets. In addition, some of the participants were concerned that a significant barrier to increasing direct marketing and value-added agricultural activities was the ability of small-scale farmers and food processors to comply with food safety, labor, and environmental regulations at the federal, state, and local levels.

Promotion of cooperatives and other organized, value-added marketing strategies >

One means for increasing farmers' advantages in marketing is through greater use of cooperatives—networks of producers working collectively to solve market access problems and build market power. Under the Capper-Volstead Act of 1922 (7 U.S.C. §291), farmers are granted limited antitrust exemption for marketing raw and processed products through their cooperatively owned businesses. By joining collectively to market and add value to raw commodities, cooperatives offer benefits to small farmers, including greater economies of scale and market influence.

³ In CSA arrangements, customers pay a farm (or farms) in advance to provide a variety of agricultural products from the farm throughout a growing season. The number of CSA operations in the U.S. has grown from one in 1985 to over 1000 today (University of Massachusetts Extension, 2000).

Cooperatives also offer local communities opportunities to pursue economic diversification strategies that attract other businesses.

In its 1998 report, *A Time to Act*, the National Commission on Small Farms proposed several actions that could promote the development and effectiveness of cooperative organizations (USDA NCSF, 1998). New start-up cooperatives and farmers engaged in other agricultural value-added marketing efforts need professional assistance when they are least able to pay for it. Small farmers may have ingenuity, but lack other critical business skills. Access to sound financial, legal, and marketing support, in order to provide business planning and development, financial management, product development, and market research, analysis, and execution, is critical for successful new operations. Seed money is needed for feasibility analyses to identify areas offering the greatest potential for the least risk. Capacity is also needed to conduct research and development to bring new products to market.

RECOMMENDATIONS >

> 16. Broaden the Rural Empowerment Zone/Enterprise Community model to include agriculture-based cooperatives [REGS.][ADMIN.]

The Empowerment Zone/Enterprise Community (EZ/EC) Program, first authorized under Title XIII of the Omnibus Reconciliation Act of 1993 (P.L. 103-66), brings communities together through public and private partnerships to attract the investment necessary for sustainable economic and community development. The federal government assists the EZs and ECs in realizing their revitalization strategies, by providing tax incentives, technical assistance, and performance-oriented, flexible federal grant funding to help spur private investment in communities that have experienced severe economic decline. The USDA administers the Rural EZ/EC Program, and the Department of Housing and Urban Development (HUD) administers the Urban EZ/ECs.

The Secretary of Agriculture should use her authority to broaden the Rural EZ/EC Program (26 U.S.C. §§1391–1393; 7 CFR 25) to include business generated by locally owned and operated agriculture-based cooperatives and other significant agricultural value-added efforts. These efforts could be a useful way to bring agricultural and non-agricultural development interests together because they would encourage linkages to other local business activities, such as financial management and assistance, packaging and delivery services, media promotion, and local food outlets, retail stores, and restaurants. To the extent possible, the program should encourage the development of incentives for building and locating cooperatives in rural areas close to production sites. However, when the most logical site for a processing facility occurs in closer proximity to an urban area, funding of such facilities under the Rural EZ/EC Program should be considered if the ownership of the facility is rural-based.

> 17. USDA should develop a national direct marketing publication targeted to a broad audience. [ADMIN.]

The USDA should develop, or sponsor the development of, a national direct marketing publication for a broad-based audience of farmers, retailers, restaurateurs, and consumers. The publication would identify products and their sources, and promote further cooperative and value-added development by publishing “success stories.” It could also be distributed from an Internet website, which would allow more frequent updating and some interaction with readers. The USDA’s Rural Business-Cooperative Service (RBS) could fund this publication. Another option could be a privately produced publication that eventually paid for itself through advertising revenue. Information provided in this publication should be presented in a balanced format, realizing that cooperatives are not always the best answer for all marketing problems. In addition, the publication should adequately explain the risks involved with particular types of marketing structures.

> **18. Increase small farmer participation in Rural Electric Cooperative Association development programs.** [ADMIN.]

As recommended by the NCSF (USDA NCSF, 1998, p. 70), USDA Rural Development State Directors should conduct outreach to State Rural Electric Cooperative Associations to leverage the available loan and grant funds for agricultural development projects that will create local, value-added agricultural businesses for the products of small farms. Rural electric cooperatives can be a force for rural development in their customer communities by providing loans and grants using funds from their cushion-of-credit accounts. The National Rural Electric Cooperative Association (NRECA) should take steps to identify model programs throughout its member cooperatives and promote the best ideas for creating greater economic opportunities for small farm electric customers. In North Dakota, rural electric cooperatives are exercising their authority to assist with feasibility studies and start-up of “new generation” cooperatives⁴.

> **19. Develop and implement curricula and courses on cooperative marketing.** [OTHER]

As recommended by the NCSF (USDA NCSF, 1998, p. 71), teaching, research, and extension at 1862, 1890, and 1994 land-grant universities, as well as secondary schools with vocational agricultural programs, should consider including curricula and courses on cooperative marketing where these programs do not presently exist. Educational programs through public television or using distance-learning technologies should be developed for farmer audiences.

> **20. USDA should launch a Small Farm Entrepreneurial Development Initiative.** [LEGIS.][APPROPS.][REGS.]

As recommended by the NCSF (USDA NCSF, 1998, p. 75), the USDA should launch a Small Farm Entrepreneurial Development Initiative to provide small farm operators and beginning farmers with targeted entrepreneurial training, integrated technical and legal assistance, and priority program funding. The program funding would be used for the purpose of developing farmer-owned and -operated cooperatives and small businesses dedicated to value-added processing and marketing enterprises to serve local and regional community food systems. This initiative could be based on existing authority but might benefit from unique statutory authority. In any event, additional funding would be required to fund this initiative.

The initiative should be launched as a pilot program in 5–10 localities or regions of the country for a two-year period. The pilot programs should be distributed geographically in the most agriculturally dependent regions of the country, or in locations with the highest concentrations of small farms. Particular emphasis should be in rural areas in crisis. The initiative should consist of three parts:

Business training courses. Successful farm-related entrepreneurs should serve as guest lecturers to provide real-world insights from experienced business people. The courses could be delivered via distance education instruction down-linked to pilot sites. Each trainee should leave the entrepreneurial training course with a completed business plan for actual application to an existing or start-up business or cooperative activity. Training programs could be delivered through the Small Business Development Centers (SBDCs) within each state in furtherance of recommendations made in issue area 5 (Economic and Rural Development).

Co-learning teams. At each pilot site, “co-learning teams” should be established. The concept of the teams is three-fold: (1) to provide each entrepreneur with ready access to and support from an integrated source of USDA and non-USDA service providers (e.g., SBDC); (2) to provide experiential training in entrepreneurial development for service providers to build their capacities for assisting new entrepreneurs; and (3) to become more adept at leveraging the expertise and resources of individual agencies and organizations in order to provide a comprehensive and integrated array of assistance needed by entrepreneurs. The teams would consist of entrepreneurs,

⁴ The term new generation cooperative is commonly used to describe a cooperative structure that uses principles including: (1) membership limited to those who purchase delivery responsibilities, and (2) compared to other cooperatives, higher levels of equity investment by individual members (Saskatchewan Agriculture and Food, 1999).

along with USDA field staff from the Farm Service Agency (FSA) and Rural Development, and Agricultural Research Service (ARS) scientists; staff from other federal agencies including the Small Business Administration (SBA), Department of Commerce's Economic Development Administration (EDA), and Department of the Interior; principle investigators from the USDA's Sustainable Agriculture Research and Education (SARE) grants; and land-grant university professionals along with state, nonprofit, and private consultant rural development professionals.

Priority for business start-up funding. Based on the Rural Economic Area Partnership (REAP) Enterprise Community model, and former President Clinton's Timber Initiative, the pilot sites could be granted priority in receiving funding and assistance from existing USDA programs for the start-up of new enterprises. This could include non-formula cooperative extension funds, research projects by ARS, marketing assistance through Federal-State Marketing Improvement Program (FSMIP) grants, economic research provided by ERS, Rural Development's business loan and grant programs, and export assistance through the Foreign Agricultural Service (FAS). The purpose is to apply the full array of USDA resources, expertise, and knowledge, in partnership with other business development providers within the pilot sites, in order to create cooperative businesses where small farmers can increase their farm income through value-added processing and marketing enterprises.

> **21. The Rural Business Enterprise Grants Program should establish a set-aside to support new market development.** [ADMIN.] [APPROPS.]

As recommended by the NCSF (USDA NCSF, 1998, p. 36), the Rural Business Enterprise Grants (RBEG) Program should establish a special set-aside of at least \$15 million in new appropriations annually to support new market and value-adding enterprise development for small and moderate-sized farms.

Funded at about \$40 million per year, the RBEG helps to finance development of small and emerging private business enterprises located in rural areas. Grants, available to both public and nonprofit organizations, may be used for revolving funds; business incubators, plant, and equipment acquisition; real estate; professional services; technical assistance; start-up costs; and many other purposes. Generally, only a small percentage of RBEG funds supports agricultural development, although there have been more such grants in recent years.

> **22. USDA-CSREES should work with the Forest Service to promote value-added agroforestry.**

[ADMIN.]

As recommended by the NCSF (USDA NCSF, 1998, p. 70), and building on a new focus on business development, the USDA's CSREES should partner with the Forest Service to promote value-added agroforestry products, such as pine straw for landscaping, wood chips for weed control, evergreens for holiday decorations, and biofuels. Some of this work is currently being done by the Forest Service and local Resource Conservation & Development (RC&D) Councils. Their efforts, where successful, could be used as models to expand agroforestry options to communities that have not traditionally been forest-dependent.

Market development strategies for farmers' markets and direct marketing >



Direct marketing consists of sales of agricultural products from farmers or groups of farmers directly to consumers. These arrangements, such as farmers' markets, eliminate intervening or facilitating parties between producers and consumers, and allow farmers to increase their share of the food dollar.

Farmers' markets are defined as groups of two or more farmers who assemble in a location to sell their products directly to consumers. The number of farmers' markets in the U.S. has risen sharply in the last two decades. In 1960, there were fewer than 100 farmers' markets. In 1994 and 2000, the USDA's Agricultural Marketing Service counted 1,755 and 2,863 farmers' markets,

respectively (USDA AMS, 2000). These numbers reflect only official markets registered with state governments; the AMS speculates that there are probably thousands more unofficial ones.

Direct markets are ideal venues for moving lower volumes of products and for experimenting with novel crops and products at low risk to the producer. A growing body of research on direct marketing has found that outlets such as farmers' markets are particularly suited to small farms. Farmers' markets have become known for providing other services or benefits to consumers beyond fresh and novel products. For instance, farmers' markets are often part of agri-tourism programs. In addition, many markets provide a festive atmosphere with live music and other entertainment, so food shopping is couched within a larger social event (Abel et al., 1999). Finally, farmers' markets are said to "repersonalize" food purchase and consumption as producers and consumers meet each other regularly.

As farmers' markets grow in size and number, the demand for full-time and well-trained managers who are sensitive and knowledgeable about the operations of these unique market outlets will increase.

RECOMMENDATIONS >

> 23. Amend the Farmer-to-Consumer Direct Marketing Act of 1976. [LEGIS.][APPROPS.]

The Farmer-to-Consumer Direct Marketing Act of 1976 (7 U.S.C. §§3001–3006) was established to promote the development of the direct sales of farm products from farmers to consumers. Such promotion was seen as a way to lower the cost and increase the quality of food for consumers, while providing increased financial returns to farmers. Funding was authorized for such activities as deemed necessary to promote direct markets. In addition, there were mandated activities that included sponsoring conferences on direct marketing, compiling information on and establishing laws and regulations to facilitate development of direct market outlets, and providing technical assistance to individuals and groups interested in engaging in direct marketing.

The Farmer-to-Consumer Direct Marketing Act of 1976 should be reauthorized and strengthened through appropriate amendments, with new appropriations, to conduct the activities listed below under recommendations 24–27. In particular, the Act should be revised to allow additional USDA agencies, such as the AMS, as well as nonprofit organizations and universities, to participate in program funding, with an emphasis on innovative partnerships. Currently, funds authorized under the Act are allocated to states based on "the feasibility of direct marketing" within the state and only can be used by the State Departments of Agriculture and Cooperative Extension Services.

> 24. USDA should fund and provide technical assistance to urban and suburban agricultural fairs.

[APPROPS.][ADMIN.][STATE]

Using the authority under section 3004(a)(1) of the Farmer-to-Consumer Direct Marketing Act of 1976 as reauthorized above, the USDA, through the AMS, should provide technical and financial assistance to state and local governments and private groups for agricultural fairs in urban and suburban areas as an extension of existing or future farmers' markets. The fairs would feature produce from local farmers, and foods prepared by local restaurants from locally grown products. Funding at a level of \$5 million per year should be authorized to hold such fairs.

> 25. USDA-AMS and State Departments of Agriculture should provide information on definitions of farmers' markets. [ADMIN.][STATE]

Using the authority under section 3004(a)(2) of the Farmer-to-Consumer Direct Marketing Act of 1976 as reauthorized above, the AMS should work in partnership with State Departments of Agriculture to investigate the current uses of the term "farmers' market." This report should provide information on how farmers' markets are defined and how the markets are regulated at the state and local levels and in specific markets, and analyze what affect these regulations have on

the composition of farmers' markets and consumers' perceptions of the markets. Special consideration should be made to expansion of the definition to include "virtual" farmers' markets (i.e., direct farm marketing via the Internet).

> **26. USDA-AMS and State Departments of Agriculture should develop programs for managers of farmers' markets.** [APPROPS.][ADMIN.][STATE]

Using the authority under section 3004(a)(3) of the Farmer-to-Consumer Direct Marketing Act of 1976 as reauthorized above, the USDA-AMS should work with State Departments of Agriculture to develop programs for farmers' market managers to enhance networking and information sharing (e.g., Internet website development workshops, sponsorship of regular national conferences). Although private groups provide some of these services, the resources and expertise of agencies within the USDA would greatly enhance efforts in these areas. Efforts to assist managers and boards of farmers' markets would facilitate and promote their development and management. For example, the AMS could develop model accounting systems for farmers' markets in order to systematize financial accounting. The Congress should appropriate the funds necessary to establish and operate this program.

> **27. Land-grant universities should support local marketing efforts.** [APPROPS.][ADMIN.][STATE]

Using the authority under section 3004(a)(3) of the Farmer-to-Consumer Direct Marketing Act of 1976 as reauthorized above, \$35 million should be authorized and appropriated each year to the USDA's SARE Professional Development Program (PDP) to develop and coordinate these programs and training initiatives.

Land-grant universities and Cooperative Extension Services play an operative role in supporting local marketing efforts. Land-grant institutions should sponsor events that feature locally or regionally produced agricultural products. Cooperative Extension Services staff should be trained in direct marketing techniques and farmers' market promotion. Marketing courses that emphasize direct marketing strategies for farmers are also needed. The trained extension personnel should then work with farmers and others to sponsor events that feature locally produced agricultural products.

> **28. Strengthen the Farmers' Market Nutrition Program and the Seniors Farmers' Market Nutrition Pilot Program.** [APPROPS.]

The Farmers' Market Nutrition Program (FMNP) should be increased steadily to at least \$50 million to allow participation by all states that wish to join the program, and to establish more markets in each participating state. The FMNP, which is part of the Women, Infants, and Children (WIC) Program, provides WIC recipients in participating states with special coupons allowing them to purchase fresh, locally grown fruits and vegetables at farmers' markets. The program is currently funded at \$15 million per year and is offered in approximately 30 states. Additional administrative funding is also recommended.

In addition, the new Seniors Farmers' Market Nutrition Pilot Program (65 FR 65825–65828), which is currently being funded at \$15 million through the Commodity Credit Corporation (CCC), should be continued past 2001 in order to allow adequate opportunity for implementation and assessment. The pilot program provided grants in 2001 to 31 states and 5 Indian tribal organizations to provide senior citizens with fresh, local produce. In the pilot program, coupons that can be exchanged for eligible foods at farmers' markets, roadside stands, and CSA farms are distributed by the states to low-income seniors. Currently there is no guarantee that the program will continue past this year.

The effect of increased regulation on small-scale producers, processors, and/or direct marketers >

As the delivery mechanism for the U.S. food supply changes into one controlled increasingly by large producing and processing infrastructures, the issues of concern tend to be the ones highlighted by regulatory entities. Recently, these have included food safety, labor, and environmental concerns.

The safety of the U.S. food supply from biological, physical, and chemical hazards has been a growing problem in recent years. Biological hazards within the food supply include microorganisms that cause foodborne illness, and in some cases, death. Microbial pathogens include *Salmonella*, *E. coli* O157:H7, *Campylobacter*, and *Listeria*. Physical hazards can include metal, glass, wood splinters, rocks, and dirt, which can either directly cause injury or can carry microorganisms. Chemical hazards include agricultural chemicals, such as insecticides, fungicides, miticides, growth regulators, and fertilizers.

Over 10 different agencies bear responsibility for some component of food safety regulation. Of these agencies, the Food and Drug Administration (FDA), and the USDA, through the Food Safety and Inspection Service (FSIS), play the most critical roles. The FDA inspects all food except meat and poultry products, whether of domestic or foreign origin, and conducts inspection at food production, processing, distribution, and retail outlets. The FDA has responsibility also for investigating drug residues and pesticides in the food supply. The USDA is responsible for food safety issues arising within the meat and poultry industries (Rawson and Vogt, 1998).

Approximately 27 states operate their own meat and/or poultry inspection programs. The FSIS is statutorily responsible for ensuring that the states' programs are at least equal to the federal program. Plants processing meat and poultry under state inspection can market their products only within the state. The agency also has cooperative agreements with 10 states under which state inspection personnel are authorized to carry out federal inspection, and products from these plants may travel in interstate commerce (Rawson and Vogt, 1998).

The food safety regulatory structure has received much attention in recent years, not only for purposes of understanding its complexity and its weaknesses, but in determining whether and in what ways the regulatory framework should be amended in order to ensure an even safer food supply (Vogt, 2000). Efforts to ensure a safer food supply should not, however, regulate the small-scale producer or the direct marketer out of existence.

There are growing numbers of consumers who are capable of meeting their food and fiber needs from the conventional sector, but choose to meet them from small-scale and/or direct marketing producers. Food safety, environmental, and labor regulations are not addressing the needs of the small-scale and direct marketing producers, or the needs of consumers who rely on this expanding agricultural sector.

RECOMMENDATIONS >

> 29. Federal agencies should evaluate the impact of food safety, labor, and environmental regulations on small-scale producers, processors, and direct marketers, prior to adoption of new regulations. [LEGIS.][ADMIN.]

Federal agencies, in particular the FDA and USDA, should pay special attention to the needs of small-farm producers, small-scale processing plants, and farmers' markets, in the development of new regulations. The Regulatory Flexibility Act (5 U.S.C. §§601–612), Regulatory Impact Analysis (Executive Order 12866), and Paperwork Reduction Act of 1995 (44 U.S.C. §3501) require federal agencies to address similar types of issues when promulgating new regulations. The Congress should pass legislation requiring governmental agencies to address the size-specific

impacts of all proposed regulations affecting food safety, environmental, and labor issues relative to agriculture. Under such a requirement, the USDA's ERS should be directed to conduct a comprehensive study designed to identify the economic impacts on small-scale producers of regulations likely to have significant influence on their access to processing facilities. An important component of the new legislation recommended above is the inclusion of the authority for federal and state regulatory agencies to grant variances on a case-by-case basis to small producers engaged in direct marketing, when there is reason to believe that safety will not be compromised.

> **30. Conduct a study of the existing food safety, labor, and environmental regulatory infrastructure as it affects small-scale processing and marketing of agricultural products.** [ADMIN.]

Competitive research funds awarded through the National Research Initiative (NRI) or other federal grant programs should be used to study the existing food safety, labor, and environmental regulatory infrastructure in depth in order to determine the direct and indirect negative impacts of existing regulations on small-scale and direct marketers of agricultural products. Research should be conducted on the impact of such regulations at both the state and federal levels. Of particular interest is the effect that the Hazard Analysis and Critical Control Point (HACCP) food safety regulations presently have or could have on the small producers' viability in direct marketing outlets (e.g., farmers' markets).

> **31. Increase food and processing technology research and development programs appropriate for small-farm operators, minorities, and other farmers.** [OTHER]

Research and technology improvements have been focused on the large producing and processing infrastructures, while the needs of those producers involved in small-scale production and/or direct marketing have been largely ignored or underserved. As recommended by the NCSF (USDA NCSE 1998, p. 71), land-grant universities with food technology and processing research and development programs should make greater efforts to expand program development to include small-farm operators, minorities, women, beginning farmers, and those interested in developing cooperatives to produce value-added products in their program development.

> **32. USDA should provide training for farmers' markets regarding food safety.** [ADMIN.]

The USDA is the most logical regulatory entity to address the concerns of small-scale agriculture, including those relating to food safety. Therefore, USDA staff should be trained in food safety practices and regulations concerning farmers' markets, and encouraged to work with appropriate personnel from local and state agencies, in order to assist market managers and small-scale producers.

> **33. USDA should prepare food safety publications for farmers.** [ADMIN.][STATE]

Special publications should be prepared by USDA staff, in conjunction with appropriate state and local entities, to ensure that farmers engaged in direct marketing have access to the most current food safety regulatory information.

Research and Cooperative Extension



Agricultural research has played an important role in building a productive, technologically driven agricultural system and an adequate supply of food and fiber for those able to afford it. Agricultural research in the U.S. is carried out through various governmental agencies; 74 land-grant colleges and universities; other institutions of higher education; numerous private research facilities that undertake research primarily for proprietary purposes; and many other organizations. The publicly funded agricultural research system includes the USDA's Agricultural Research Service (ARS), Economic Research Service (ERS), Cooperative State Research, Education, and Extension Service (CSREES), and National Agricultural Statistics Service (NASS); and the partner State Agricultural Experiment Stations (SAES) in the land-grant university system. The National Agriculture Research, Extension, and Teaching Policy Act of 1977 (Title XIV P.L. 95-113) is the overarching legislation pertaining to the structure and mission of the public agriculture research, education, and extension system. Since 1977, the Congress has provided funding authority and policy guidelines for the USDA's in-house research programs through a title contained in omnibus farm legislation.

By the mid-1990s, funding for agricultural research in the United States totaled more than \$6.3 billion. Private sector expenditures for agricultural research (including monies going into the land-grant university system) have exceeded public sector investment for many years. Currently, funding for agricultural research includes 57 percent private spending and 43 percent public (state and federal) spending (Fuglie et al., 1996; Rawson, 1998).

Historically, the basis for the creation of the USDA research system was recognition of the public good aspects of agricultural research and cooperative extension, and publicly funded agricultural research was begun with a clear commitment to serving farmers (Lockeretz and Anderson, 1993). As farm numbers and populations declined, this base of political support has eroded and other groups became involved in the dialogue concerning agricultural research. Despite the contribution of publicly funded agriculture research to agricultural productivity, the system has come under increasing pressure from critics over the last few decades (Fuglie et al., 1996). Specifically, the public research system has been criticized for emphasizing agricultural productivity that benefits mainly larger farmers and agribusiness interests, while focusing less on the needs of smaller-scale farmers and rural communities, and environmental concerns (US GAO, 1996a; US OTA, 1995).

Despite this imbalance, as the larger farms that produce the bulk of agricultural production in the U.S. become increasingly integrated into supply chains, their operators are relying less upon traditional research and cooperative extension each year, and more on other sources—chemical dealers, feed suppliers, seed dealers, and processors—for their informational needs. In the event that they seek information from researchers and Cooperative Extension Services, these farmers tend to circumvent the local extension agent and deal directly with the State Extension Specialists or specialized research faculty, because local agents often lack the technical skills to address their problems.

At the same time, the vast majority of small farm operators do not receive adequate support. The research and cooperative extension system remains focused on the production of commodity crops, not on the development of specialty products in an integrated farming system. There is a need to develop the ability of Cooperative Extension Service personnel to provide assistance to small farmers regarding alternative and organic farming systems, and agricultural development, direct marketing, and value-added agriculture. Farmers also need advice as to how each enterprise fits into a multifaceted farming system that may include off-farm earnings and farm-based businesses. The research and cooperative extension system is currently not well prepared to provide this type of support, in part because its staff tends to be trained as subject-discipline

specialists and thus delivers advice and ideas along disciplinary lines.

In addition, a central part of any revision to the research and cooperative extension system will need to be increased outreach to non-traditional farm client groups. Historically, the high rate of occupational succession in agriculture gave both research and cooperative extension a predictable client base. Although most farmers, especially those operating large farms, still enter agriculture through this path, the research and cooperative extension system must become more inclusive for several reasons. There is clear evidence of racial discrimination in past farm programs, which has denied access to government assistance by significant numbers of minority farmers (USDA CRAT, 1997). Secondly, there is the growing incidence of mid-career transitions into agriculture by individuals who purchase a small farm, but have little or no prior farm experience. These persons require a different level of assistance, and the system must increase outreach to these groups. Finally, many of those who come into agriculture through occupational succession need to learn how to operate new enterprises. Addressing the needs of each of these client groups will require different approaches.

Participants in the Vermilion Parish, Louisiana; Southcoastal Massachusetts; and the Grand Traverse Bay Area, Michigan, local visioning sessions; the Chesapeake Bay regional session; and the national session agreed that research and cooperative extension programs should remain an important USDA activity. However, they felt that these programs should be refocused if they are to continue to meet a public purpose. They identified four areas in which research and cooperative extension efforts need to be strengthened: (1) identifying and assisting farmers in taking advantage of new market opportunities; (2) increasing stakeholder input into research; (3) assisting with producer and rural community problems; and (4) increasing multi-disciplinary research.

Research and education on new market opportunities >



Several forces have come together to raise the issues of marketing alternatives and new farm-related enterprises to a new level of interest and action. Starting with the authorization of the Low Input Sustainable Agriculture (LISA) program in the Food Security Act of 1985 (P.L. 99-198), which was the first federal program to specifically fund sustainable agriculture research, a great deal of effort has been made in developing alternative agricultural production systems. While much remains to be done on the production end, there is a growing appreciation of the critical role marketing will play in the ultimate success or failure of these systems. A strong policy bias has long existed toward mass marketing of industrially produced, generic agricultural products, over local, regional, identity-preserved, or specialty products. There is also a bias toward public funding for developing export markets over domestic ones.

Rural development policy and programs have generally ignored agricultural development instead of viewing it as part of broader economic development initiatives. These biases are beginning to show some signs of changing, but progress has been slow. The USDA has a variety of small programs that touch on and provide limited support for research, demonstration, and implementation of alternative marketing systems and locally owned, value-added enterprises, but there is no strategic plan, little coordination, and only small amounts of money for these concerns at USDA. There is no single, existing program that focuses on alternative marketing research and outreach, despite the needs of many farmers for enhanced local and domestic marketing options and for increasing the share of the food dollar retained on the farm.

At the same time, market and economic concentration and a variety of forms of contract production have tightened or closed mainstream markets for small and moderate-sized operations. This market restriction, and the relative lack of public enforcement action to prevent it, has accelerated and intensified the interest in new markets and new value-adding businesses. Substantial and growing areas of rural poverty in traditional farming areas, despite unprecedented economic expansion in the nation as a whole, have also raised interest in agricultural development. Where farming has been a significant aspect of the rural economy, planners are beginning to view the

farming sector as an asset—rather than a liability—for economic development strategies. Finally, increasing consumer interest in safe, high-quality foods, and in foods produced in ways that protect the environment and enhance the quality of life for producers, has opened up new opportunities and market potentials.

RECOMMENDATIONS >

> 34. USDA should establish an Agricultural Community Revitalization and Enterprise Program. [LEGIS.]

A new grant program should be established by the USDA to stimulate and expand economic opportunity and revitalize the economies of agricultural communities through self employment, high-value agriculture, new markets, value-retaining enterprises, local and regional food identity, and production geared to consumer preferences for social and environmental benefits. The program would explicitly support several key goals, including increasing the farm share of the food system dollar, increasing the number of high-quality, self-employment opportunities in farming and food-related businesses, developing new enterprises and outlets to add value to on-farm production through processing and marketing, and supporting the sustainable development of rural communities and the environment.

Several new state programs have come into existence in the last few years, which reflect some of these concerns. Since 1988, the Missouri Agricultural and Small Business Development Authority has offered a value-added loan guarantee program and a value-added grants program, as well as a “new generation” cooperative incentive tax credit program, each specifically aimed at agricultural products and development. In 2000, the Nebraska Legislature passed the Rural Economic Opportunities Act (NE Stat. §§77-5401 to 77-5414), which will provide grants for a wide range of research, education, marketing, and value-added development, and related activities, to increase the number of self-employment opportunities in farming and ranching. Also in 2000, New York State announced a new “Grow New York” grants program, administered through its Department of Agriculture, to promote agricultural economic development through matching funds for demonstration projects. At the federal level, the Sustainable Agriculture Coalition and the National Campaign for Sustainable Agriculture are promoting an Agricultural Community Revitalization and Enterprise (ACRE) Program, a new grants program to stimulate research, demonstration, and commercialization in marketing and agricultural development to renew family farms and rural communities. ACRE is modeled in part after the Nebraska Rural Economic Opportunities Act.

In whatever form it takes, the new program should provide grants for a wide variety of projects and activities, including research, education, training, and market research and development, which focus on the specific program goals outlined above. Each of these areas would include on-farm and off-farm initiatives, with no less than half of the funds supporting grants awarded directly to farmers. The program should receive at least \$500 million per year, funded through the Commodity Credit Corporation (CCC). The program could be administered by the USDA’s CSREES, with a multi-agency and multi-stakeholder administrative council that includes the Department’s Agricultural Marketing Service (AMS), Rural Business-Cooperative Service (RBS), Natural Resources Conservation Service (NRCS), and Forest Service; SBA; State Departments of Agriculture; non-governmental and community-based organizations; and farmers and ranchers.

> 35. Changes needed in existing research and education programs related to new market opportunities. [LEGIS.][APPROPS.][ADMIN.]

The Federal-State Marketing Improvement Program (FSMIP) should be at least tripled in size to \$5 million annually and should continue to give priority attention to sustainable agriculture and small and moderate-sized farms. Market and feasibility studies funded by FSMIP should explore regionally identified, high-quality products; eco-labeling initiatives; and infrastructure needs of alternative food systems. Administered by the USDA’s AMS, in cooperation with State Departments of Agriculture or other state agencies, the FSMIP currently provides just over

\$1 million per year in matching funds, on a competitive basis, to conduct studies on or develop innovative approaches to the marketing, distribution, and utilization of agricultural products. For the past two years, the program has emphasized sustainable agriculture and small farms.

The partnership between the USDA's AMS and CSREES-SARE program, begun in FY 2000, should be continued and enhanced. Funding should be increased to \$4 million annually to provide \$1 million for calls for proposals in marketing in each of SARE's four administrative regions in the U.S. The SARE program, currently funded at about \$13 million per year, offers competitive grants on a regional basis for research, education, and extension projects that help foster a more sustainable food and agriculture system. In addition to larger research and education grants, the program offers smaller grants directly to producers for on-farm research and development. In recent years, the SARE program has highlighted research in marketing and enterprise development, and an increasing number of producer grants have been in the marketing arena. In 2000, the AMS and CSREES-SARE cooperated in a special \$500,000 request for proposals for marketing projects with relevance to small farms.

The Community Food Projects Competitive Grants Program should be continued beyond its current authorization (2002) and should be doubled in size to \$5 million per year. Additional steps should be taken to promote community food security, including initiatives that link low-income people with farmers and bolster local food systems to fight hunger. Since 1997, this program has offered \$2.5 million per year in matching grants on a competitive basis to support development of community food projects designed to meet the food needs of low-income people, increase the self-reliance of communities, link local farmers and consumers, and promote comprehensive responses to local farm, food, and nutrition issues.

The Rural Cooperative Development Grants (RCDG) Program should be funded at \$20 million annually, with at least a quarter of the funds targeted to food and agricultural development initiatives. This grant program, currently funded at \$4.5 million, provides funds to nonprofit corporations for the development of new cooperatives and improving the operations of existing cooperatives. Most of the funds support regional cooperative development centers, which in turn provide technical assistance to a wide variety of rural cooperatives, including farmer cooperatives.

The Fund for Rural America should focus a very substantial share of its obligations on research, marketing, and business/cooperative development to increase economic opportunities in farming and rural communities. The Fund was established through a transfer of funds from commodity programs in the Federal Agriculture Improvement and Reform Act of 1996 (P.L. 104-127), commonly known as the FAIR Act or the 1996 Farm Bill. It provides \$60 million per year for rural economic development through rural development and research efforts. Major goals of the Fund are to: (1) conserve and enhance natural resources; (2) increase economic opportunities in farming and rural communities; and (3) expand locally owned, value-added processing. The Fund was used in 1997 and again in 2000 and 2001. In 1998 and 1999, the Congress eliminated funding.

Stakeholder input >

In response to complaints from many states that large segments of the agricultural and rural population have been left out of stakeholder dialogues with land-grant universities and colleges, Section 102 of the Agricultural Research, Extension, and Education Reform Act of 1988 (P.L. 105-185, 7 U.S.C. §7612) required land-grant institutions, as a condition of receipt of federal "formula" funds, to establish a process for stakeholder input on the uses of such funds. Failure to comply with the stakeholder input requirements may result in the withholding of formula funds and their redistribution to other institutions. A regulation was finalized on February 4, 2000 (65 FR 5418), and the requirement is currently in effect. The rule requires all recipients of formula funds to report to USDA annually: (1) the actions taken to encourage stakeholder input; (2) a description of their stakeholder input process; and (3) a statement of how the input was considered. The rule stipulates the process used must be "open, fair, and accessible" and one that "treats all with dignity and respect." Under a separate but related program guideline, land-grant institu-

tions are now required to submit “plans of work” to the USDA. The guidelines include a directive to seek input from, and fund work relevant to, under-represented and underserved groups.

A wide range of stakeholder processes are in existence, and many need improvement. Both the USDA and federal taxpayers have clear interests in narrowing the vast discrepancies between the best and the worst of the stakeholder processes currently in use, and in encouraging new innovations and more meaningful public participation. Stakeholder constituencies are often very narrowly defined as traditional commodity and agribusiness interests. Even within the farming community, minority farmers are often excluded, as are alternative agriculture practitioners and organizations, farmworkers, and representatives of the interests of small and moderate-sized farm operators. Beyond the farming community, broad public interests (e.g., consumers, environmentalists, labor, religious communities, and public health advocates and professionals) are even less likely to be represented.

There are other issues of concern. Often the input process is not transparent: the efforts are not widely publicized, the process is not clear, no documentation is shared prior to the input sessions, and no documentation about the meeting and the input is made available. Accountability is also an issue. Members of the public want to know that their participation in the process is taken seriously. This cannot occur when written records of the meetings or recommendations are not kept, or where there is little feedback on why specific recommendations made to the institution are rejected.

An effective process needs input on both immediate needs and long-term goals prior to, during, and after program or strategic plan implementation. Stakeholders should be involved in relevancy reviews of particular projects and portfolio reviews of broader program areas. Input should be solicited on the systems established to determine and report on performance and outcomes. Stakeholders should also be involved with public events to discuss emerging technologies and new research directions, with an opportunity to comment and offer recommendations. Few institutions have adopted this more comprehensive and meaningful stakeholder input process.

The stakeholder input requirement has the potential to create a national minimum standard for stakeholder input at land-grant institutions. Unfortunately, the final rule requires only an “open, fair, and accessible” program, without further elaboration, and with no requirement for transparency (public record), accountability (feedback on how the input was used or why it was rejected), balanced representation, and—perhaps most importantly—the role of stakeholder input (priority setting, program development, relevancy reviews, monitoring and evaluation, and public education and debate). Respondents to the CSREES April 19, 1999, Proposed Rule on stakeholder input (64 FR 19242–19248), including the USDA’s Office of the Inspector General (OIG), criticized the regulations for lacking adequate criteria (65 FR 5993–5998). In response to these comments, CSREES did agree in the Final Rule to conduct a two-year evaluation in 2002 to determine whether additional criteria are necessary.

RECOMMENDATIONS >

> 36. Maximize and expand use of the new stakeholder input rules to provide real minimum standards. [REGS.][ADMIN.][OTHER]

While the new rules have the potential to enhance stakeholder processes for research and cooperative extension programs at state universities and land-grant colleges, they will be effective only if the traditionally under-represented and underserved segments of the food and agriculture system participate and make their voices heard. This is difficult in part because the rules of engagement are not always fair or satisfying. However, the new rules present an unprecedented opportunity for change in the land-grant accountability process. Experiences, both good and bad, should be well documented so that results may be entered into the public record as CSREES evaluates the new requirement during its first two years of operation.

The stakeholder input rule should be amended to clearly and succinctly establish national minimum standards for stakeholder participation processes. These should include:

Fair and open process. The recipient institution should ensure that the opportunity to participate in all aspects of the process is extended equally to all stakeholders, and that no such opportunity be granted privately or in a manner that provides special status. Recipient institutions should take all reasonable steps to ensure widespread public knowledge of the opportunities for input.

Balanced and diverse participation. The recipient institution should seek comment and input from as broad a range of stakeholders as possible. In particular, traditionally under-represented and underserved constituencies should be specifically sought out. The recipient institution should demonstrate a “good faith” effort to include the full range of types and sizes of farms and ranches, including small, family-owned operations and the organizations that represent them; minority farmers and civil rights organizations; labor and farmworker representatives; consumer, health, and environmental organizations; sustainable and organic farmers and organizations; community food associations and anti-hunger organizations; and the full range of rural development, business, and cooperative interests.

Complete transparency. All aspects of the stakeholder input processes should be documented and available for public review, and where appropriate, for public comment, in a timely manner. Transparency should apply to planning, publicity, meeting minutes, funding, reports, evaluations, analyses and use of input obtained, lists of participants, and all other components of the process.

Accountability. The recipient institution should ensure that all participants in stakeholder processes receive a timely, written record of the meeting(s) or other input avenues they participated in, an opportunity to review the written record for accuracy, and a face-to-face or at least a written report detailing how the input was utilized, and the reasons why any specific recommendations were rejected.

Comprehensive approach. The recipient institution should seek input in a wide variety of ways related to all aspects of the institution’s activities related to formula funds, including but not limited to input into strategic plans, advice on new program development and redirections, input on immediate needs and long-term goals and directions, and participation in relevancy reviews. Where appropriate expertise exists, input should be sought on scientific peer review; participation in portfolio reviews; guidance on monitoring, evaluation, and oversight systems employed to track performance and results; counsel on emerging technologies and technology assessment; and recommendations for public education events to engage citizens in discussion about the mission and directions of the institution.

Multi-disciplinary research >

Universities are organized into academic departments along disciplinary lines, each with a specific concept of what is appropriate research for the discipline. University faculty in Colleges of Agriculture operate in an environment where the reward system is driven by advancing disciplinary knowledge and writing for peer-reviewed journals, not solving problems that are important to producers and rural communities. Some universities have created centers to conduct applied research as a way to forge links across disciplines and focus research on the needs of producers and rural communities. However, these centers are often administrative fabrications, not functional units.

In addition, university reward systems have been developed to evaluate and reward the performance of faculty members outside of the Colleges of Agriculture, who have no specific requirement to conduct applied research. This makes it more difficult for faculty within the College of Agriculture, which adheres to the traditional land-grant mission of applied research and cooperative extension, to be appropriately rewarded or obtain tenure. Federal and state/local-level efforts are needed to resolve this problem. At the local level, public universities should be responsive to interest group requests, especially if these interventions provide a research and education opportunity that is compatible with the stated objectives of the university. At the federal level, there is still a clear benefit from having a functioning research and cooperative extension system that meets rural citizens’ needs.

RECOMMENDATIONS >

> **37. Increase the percentage of formula funds going to multi-disciplinary research.** [LEGIS.][REGS.]

Although competitive grants, such as the National Research Initiative (NRI), do a good job of funding basic research within a single discipline, multi-disciplinary and applied research proposals are often difficult for panels to review. As a result, these proposals generally do not fare as well in securing competitive grant funding. Yet, some research that is of vital interest to farmers and rural communities is best conducted in a multi-disciplinary framework. To ensure that appropriate applied research takes place in each state, a portion of formula funding for research, which is allocated by the USDA to states through a non-competitive process, should be earmarked for multi-disciplinary, applied research. Initially, 20 percent of all formula funds for research should be targeted to multi-disciplinary research. Over 5 years, this percentage should be increased incrementally to 40 percent.

> **38. Federal research programs should support and encourage diverse models of agricultural production.** [ADMIN.]

Staff of USDA agencies that engage in outreach to farmers, including CSREES and Cooperative Extension Services, must be trained and prepared to deliver advice to a host of clients with diverse interests. These farmer clients include: new and beginning farmers; farmers seeking to transfer their farms to the next generation; those interested in increasing profitability and diversification, adopting more sustainable practices, and/or operating within local markets; those addressing issues surrounding farmland preservation and sprawl management; and those navigating environmental regulations. In addition, the USDA must ensure that federally funded, applied agricultural research has a strong technical transfer and education and outreach component with accountability.

Federal agricultural policy should recognize that multiple and diverse models of agricultural production are necessary for economic, ecological, and social stability of the nation's food and agriculture system. Research and cooperative extension are currently focused on the production of commodity crops, not on the development of specialty products, value-added agriculture, business diversification, business planning, and niche marketing, or the information needs of small farmers seeking to develop these products and skills.

Farmers are increasingly pursuing off-farm employment due to a lack of farm profitability. The challenge for the public research sector is to create new on-farm opportunities for these farmers. Innovative businesses need to be designed to optimize the mix of labor, capital, and natural resources to the size and scale of the farm. Many farmers are looking for opportunities to use knowledge- and management-intensive production systems, rather than capital-intensive methods. Opportunities that exist for smaller-scale agriculture tend to concentrate around minor crops, and specialty and high-value crops and livestock, including organic fruits, vegetables, and animal products. The traditional experiment station structure or traditional USDA programs do not currently serve these types of commodities.

> **39. Ensure efficacy of multi-disciplinary centers through administrative structure.** [OTHER]

Decisions about where multi-disciplinary applied centers within land-grant universities should be housed should be based on the commitment to and support of multi-disciplinary research demonstrated in the past by the participating department. The option of not housing it within a particular academic department at the university should also be considered. This will help to ensure that disciplinary interests within particular departments do not overwhelm the center's effort to do multi-disciplinary work. In addition, all centers should be required to have an advisory board comprising clientele groups with the ability and power to shape the broad objectives of the center.

Economic and Rural Development



The implementation of economic development in rural communities, while maintaining or strengthening an agricultural base, was a topic in a number of visioning sessions, including Routt County, Colorado; Parke and Montgomery Counties, Indiana; Southcoastal Massachusetts; Grand Traverse Bay Area, Michigan; and Knox County, Nebraska; all three regional sessions; and the national session. Issues discussed at these sessions included farm and off-farm job creation, community quality-of-life issues, and credit and technical assistance needs. This section addresses federal assistance to promote agriculture as part of rural development programs and policies; credit issues for small agricultural businesses; the roles of the Small Business Administration (SBA) and Small Business Development Centers (SBDCs) in stimulating agricultural enterprises; and dispute resolution for agriculture-related issues. Some rural development issues are covered also in other sections (e.g., farmland preservation; young, beginning, and retiring farmers and ranchers) of this report.

Federal assistance to promote agriculture as part of rural development programs and policies >

Public rural development investments have for some time either ignored agriculture or aided an industrial model of agriculture that works against a dispersed family farm system of agriculture and healthy rural communities. In part, this is because rural development and rural business and cooperative programs that relate to food and agriculture generally lack adequate “pre-development” impact analyses that examine the effects on land use, sustainable farming systems, the structure of agriculture, the quality of jobs created, the value retained in the local community, and the environment. By the same token, most of the controlling authorizations and regulations for these programs lack clear directives to encourage outcomes supportive of increased farming opportunities—including the development of independent small and moderate-sized farms, and farm and food enterprise ownership by minorities; creation of high-quality jobs, including self-employment, and locally owned, value-retaining enterprises; and farmland preservation.

Unfortunately, most communities and organizations lack sufficient local professional staff to respond to the pressures for improved agricultural development. While consultants can provide a measure of support in this regard, they may lack local knowledge and rarely are available for the extended period of time required to implement a development strategy. Furthermore, many rural places do not have sufficient resources to employ a professional consultant.

This situation is similar to the conditions that led to the initial creation of the Cooperative Extension System in 1914. However, as early as the late 1960s, the Congress recognized that the evolution of rural America required that Cooperative Extension Service programs be given a broader mandate to include non-agricultural development strategies. By then, the farm share of the population had fallen to below 10 percent of the total population, yet rural residents still accounted for almost 40 percent of the national population (Mills, 1995, p. 105). As the economic base of rural areas expanded to include more than farming, the benefits of applying the extension model in a broader context were recognized. As a result, the Rural Development Act of 1972 (P.L. 92-419; 7 U.S.C. §2661 *et seq.*) provided support for new types of extension programs from earmarked funds. This led most states to put in place either county- or region-based development agents who were supported by development specialists at the state level. However, most of these new programs ignored agriculture. Furthermore, budget pressures in the 1980s led most states to dismantle the effort in order to maintain funds for traditional farm programs. Although the USDA, through the Cooperative State Research, Education, and Extension Service (CSREES),

could play a leading role in providing federal rural and economic development support to rural areas, at present many agricultural extension agents have limited knowledge of these other federal initiatives and rarely work with other federal agencies. In many states, the Cooperative Extension Service plays a very minor role in rural development activity.

RECOMMENDATIONS >

> 40. Set criteria for rural development programs. [LEGIS.]

Within the appropriate context for each specific rural development program, general and specific purposes should be added to the authorizing legislation to require that food and farm-related spending under the authority support:

- A widely-dispersed family farm system of agriculture;
- Increased economic opportunities in agriculture and other industries in rural communities;
- A strong base of entrepreneurial activity by rural people, especially in non-traditional activities;
- Adequate access to all forms of finance, particularly equity funds that can supplement owner equity;
- High-quality jobs, including self-employment;
- On-farm and local/regional value-retaining enterprises;
- Increased minority ownership and participation;
- Enhanced economic competition;
- Equitable access to advanced telecommunication services, air transportation, and electricity deregulation;
- New markets for sustainably produced food and fiber and biobased energy stocks;
- Retention of prime and unique farmlands;
- Conservation of natural resources;
- Environmental improvement; and
- Reduced public health and safety risks.

Alternatively, an overarching provision could be added to the Rural Development Title of the 2002 Farm Bill to establish these criteria as applicable to all relevant programs.

In the case of competitive grant programs, grant proposals should be assessed and awarded, based on, among other relevant criteria, the likelihood of the project or enterprise to:

- Increase the viability of small and moderate-sized, independent family farms;
- Establish environmentally sound, locally owned enterprises that add value to locally produced commodities; and
- Retain and/or create new, high-quality employment opportunities.

> 41. Include small farmers and other stakeholders in USDA Rural Development strategic planning processes. [ADMIN.]

As recommended by the National Commission on Small Farms (USDA NCSE, 1998, p. 35), USDA Rural Development State Directors should include small farm operators, minorities, women, non-English-speaking people, and community-based and nonprofit organizations in strategic planning processes, particularly with respect to the use of their rural business development programming for agricultural development.

> 42. USDA's Cooperative Extension Service programs should make business development a priority. [ADMIN.][APPROPS.]

As recommended by the NCSF (USDA NCSE, 1998, p. 36), the USDA's Cooperative Extension Service programs should make business development a priority. Programs should emphasize market development and education, and technical assistance to small farmers, directed toward

exploring new marketing avenues including local, value-added processing and farmer-owned cooperatives. Efforts could assist small farmers by developing entrepreneurial training and development in natural resource-based industries. Cooperative Extension agents may need new training in business development and operation skills; strategic placement of staff in field offices should maximize business development where it would be most productive. Producer training would include the development of community-based entrepreneurial networks to provide continuous training, mentoring, and support for the retention and expansion of existing firms and for new business start-ups within a community. Additional funds should be allocated to the USDA's SARE Professional Development Program (PDP) to train extension agents in these critical areas.

> **43. Strategic plans should include the development of farmer-owned businesses.** [ADMIN.]

As recommended by the NCSF (USDA NCSF, 1998, p. 36), the strategic plans for rural business development grant and loan programs should include the development of farmer-owned and -operated businesses that strengthen a local food and agriculture economy through value-added food processing and other micro-enterprises. In particular, efforts to co-locate incubator facilities either within or near extension facilities should be encouraged.

> **44. Develop a mechanism for determining national interest in rural amenity protection.** [ADMIN.]

Important natural and cultural resources are located in rural areas. While some of these resources are preserved in national parks, historic sites, or other protected areas, a large number rely on private individuals for their continued existence. Many rural amenities provide significant benefits at the local level or to particular groups, but the national interest in protecting or expanding amenities is unclear. To help provide guidance in establishing national policy for the protection of amenities, the USDA and Department of the Interior should cooperate on a study that would identify a mechanism for determining the national interest in amenity protection.

> **45. Examine management practices of USDA's Cooperative Extension Service programs.** [OVERSIGHT]

The Congress should request a study to examine management practices of Cooperative Extension Service programs within the land-grant universities to ensure that the distinction between experiment station and extension functions is clear and that the extension function is based upon locally driven programs that deliver support to rural communities and people.

> **46. Establish a National Research Initiative-sponsored study of the impact of rural development programs.** [ADMIN.]

The USDA-CSREES National Research Initiative (NRI), within its "Markets, Trade, and Rural Development" section, should seek proposals for impact analysis studies of at least three or four rural development and rural business programs, including Rural EZ/EC projects, to assess their relative contributions to family farm viability, environmental performance, and sustainable development, and to explore alternative approaches.

Small agricultural businesses and lending programs >



Accessing affordable credit has been a longstanding problem in rural areas. Farmers periodically find themselves in financial difficulty due to events beyond their control. While these financial problems are unpleasant for farmers who have high levels of equity in their enterprises, they are potentially disastrous for those with high levels of debt or without much equity. The usual response of lenders during periods of financial uncertainty is to increase the cost of borrowed funds or to accelerate payments at a time when the farmer's cash flow cannot cover the higher costs. As a result, farmers—who might otherwise have been able to remain in operation—are forced out of business. Similarly, during periods of financial crisis, lenders may choose to reduce or eliminate lending to farmers. Present-day agriculture is highly dependent upon a stable and

timely flow of operating credit. The effect of even a short delay in obtaining funds is that farmers may miss the narrow window for planting crops, which subsequently lowers or ruins their harvest.

As consolidation among financial intermediaries continues, there is growing concern in the farm community that the number of financial institutions with a commitment to serving agriculture is declining. As a result, farmers fear that they will either lose access to funds or will be forced to pay higher than market rates if the remaining lenders take advantage of their monopoly power. In addition, there is a growing fear that the cost of entry in farming is now so high that only the very rich or those who come from a farm family can afford to begin farming. Often the problem facing many individuals trying to enter agriculture is inadequate financial resources to meet the required level of equity necessary to secure a loan from commercial sources.

Because of these and other issues, a significant portion of agricultural policy has been directed towards helping farmers and rural residents gain access to credit, either through direct lending by the federal government or through a set of specialized, government-assisted financial cooperatives, such as the Farm Credit System. In addition, the USDA has provided financial assistance for non-farm rural investments, including loans for housing, rural businesses, and infrastructure, primarily water and sewer systems. These activities started in the 1930s, and their scope has steadily expanded, especially post-1960.

One of the most visible areas where the USDA has failed to serve its clientele is in providing credit for minority farmers. There is considerable evidence supporting this claim, and the agency has acknowledged that minority farmers were unfairly denied access to credit from programs for which they were eligible. The cumulative effect of this systematic behavior has been to reduce the numbers of minority farmers below the levels expected had they had equivalent access to credit (USDA CRAT, 1997).

There are still areas where the current USDA credit system is not effectively serving farmers and rural residents. Minimum loan sizes often exceed the needs and credit worthiness of small farmers and rural businesses. Although the USDA has made some funds available for nonagricultural rural businesses, these loans have a large minimum size and have not been a core part of agency activity. Because loan thresholds are so high, they are often not useful for small family farm businesses. The Intermediary Relending Fund can be used as an incentive tool for creation and leveraged funding of local agriculture and rural development enterprise funds. Relending of smaller micro-loans is made possible through these funds. Intermediary lending programs are needed to encourage small, value-added opportunities.

Existing government-supported credit programs operate independently and are not well coordinated with each other, or with non-federal sources of credit. In addition, each program tends to fund very specific activities. As a result, it is difficult for a borrower to assemble a package of credit, and some activities “fall between the cracks” because they do not fit the criteria for any program. For example, farmers face considerable difficulty in adding processing functions to their farm operations. From some agricultural lenders’ perspectives, processing operations are not seen as “farming.” Other types of lenders may also be unwilling to lend because, from their perspective, the endeavor is considered to be agriculture-related, since the new enterprise is located on a farm. Even when multiple agencies are willing to consider an applicant, there are often difficulties in establishing which agency will take a subordinate position in terms of rights to collateral. If both agencies require first claim, it is only possible to obtain funds from one source.

Fragmentation also makes it difficult for farmers to find a starting point to access federally supported agricultural credit and capital. This is particularly true for non-traditional farmers who may not have frequent contact with federal agency staff. Some visioning session participants were dissatisfied with their attempts to find detailed, federally generated or supported information about credit programs; either they were left intimidated or confused by the process, or were led to obscure, underfunded, and overextended offices or people. Although many sources of information exist, the NCSF found that USDA credit programs are not reaching potential customers as effectively as they should (USDA NCSF, 1998, p. 80).

Participants in the Southcoastal Massachusetts and Knox County, Nebraska, local visioning sessions; and the national visioning session believe that access to credit is one of the critical issues facing rural areas, and identified the following needs in lending programs: (1) improved outreach and information about credit programs; (2) changes to loan thresholds to make them more favorable to small businesses; (3) improved programs that assist beginning farmers; (4) enhanced coordination of programs within and across federal agencies to make them more useful; and (5) improved access to equity and capital in rural areas.

RECOMMENDATIONS >

> 47. USDA should provide adequate support to service small loans. [APPROPS.][REGS.][ADMIN.]

To improve the ability of farmers and rural residents to have access to smaller loans, the USDA should: (1) provide adequate Farm Service Agency (FSA) staff to service lending programs based on case load/person at the field level; (2) provide adequate funding for loans; and (3) implement a streamlined processing method for servicing small loans (less than \$50,000) to make it feasible for the staff to manage them. USDA programs typically reward staff for moving funds to rural areas as efficiently as possible. In the case of loan programs, this means that staff prefer to handle fewer, larger loans rather than numerous, smaller loans.

> 48. USDA should increase funding for the Intermediary Relending Program. [APPROPS.][REGS.][ADMIN.]

USDA Rural Development should increase funding for the Intermediary Relending Program to a minimum of \$50 million annually and should allocate funds to regions so that projects compete for regional funds. Currently, the funding level is \$37 million and all proposals compete nationally, based on national ranking criteria, which puts some regions at a competitive disadvantage.

> 49. USDA should improve access to information about credit programs. [ADMIN.]

Because many non-traditional farmers are not knowledgeable about how to access federal programs, the USDA must foster partnerships with community-based organizations, nonprofits, and 1890 and 1994 land-grant universities so that farmers and ranchers—existing, beginning, and future—are given the greatest opportunity to become aware of and use USDA credit programs.

> 50. Establish a national coordination committee for loan programs. [ADMIN.]

Establish a national coordination committee to identify areas of program overlap and lack of coverage for loan programs. This committee could develop protocols for program coordination. At the local level, state or regional extension specialists should work with extension agents and local economic development officials to identify which national programs, including those from the USDA, Small Business Administration (SBA), Department of Housing and Urban Development (HUD), or Economic Development Authority (EDA), are appropriate for specific businesses or communities.

> 51. Add additional priorities to funding criteria for rural business development grant and loan programs. [ADMIN.]

As recommended by the NCSF (USDA NCSF, 1998, p. 35), where USDA Rural Development State Directors have discretion to add additional priorities to the funding criteria for evaluating Rural Business Enterprise Grants (RBEG) and Business & Industry (B&I) loan applications, a process is needed to receive stakeholder input, including input from small farmers interested in pursuing value-added agricultural development. Each state should make locally owned, value-added agricultural development a priority. Ideas should be solicited to determine the kinds of cooperative-based businesses and other marketing enterprises that should be supported with the RBEG and B&I funds for this purpose within any state. A “request for comment” period should be publicized in all rural newspapers within a state, asking for input in further defining

agricultural development in the local context and in setting the priority criteria for these programs, followed by public meetings to gather input and filter ideas.

> **52. Make changes in B&I regulations and program targets to prioritize small farms.** [REGS.][ADMIN.]

As recommended by the NCSF (USDA NCSF, 1998, p. 69), the use of B&I loan guarantees to finance start-up capital should be targeted to give priority to small farmers. The B&I regulation 4279-113(h), which permits eligibility by non-farming corporations, should be eliminated since it fosters direct competition with farmers in agricultural production and processing. The B&I Direct Loan Program should be targeted to the development of agriculture-related businesses, for the purpose of creating new marketing opportunities for small farmers. Outreach that describes the type of assistance available should be conducted to increase awareness of program availability, and should include local seminars sponsored by economic development agencies such as local Chambers of Commerce, city and county governments, and farm organizations. The USDA's Rural Business-Cooperative Service (RBS) could also work in partnership with the Council of State Development Agencies, and participate in annual training conferences sponsored by the National Association of Development Organizations (NADO).

> **53. Target rural development funds to farmer-owned cooperatives and small businesses.**

[REGS.][ADMIN.][APPROPS.]

As recommended by the NCSF (USDA NCSF, 1998, p. 36), rural business development funds, including RBEG, B&I loans, and the Intermediary Relending Program, should be further focused on assisting development of farmer-owned cooperatives for small farm operators and small business concerns as defined by the Small Business Act (PL. 85-536 as amended; 15 U.S.C. §632). At least 50 percent of all RBEG grant funds could be targeted to give priority to projects primarily benefiting small farm operators, including farmer-owned, value-added businesses and cooperatives. A small, farmer-owned, value-added business and cooperative would be defined as one in which over 70 percent of the throughput comes from small farms. The financial and technical assistance programs provided by RBS should support value-added efforts where value-added strategies meet the following criteria:

- “Value-added” is defined to include direct marketing by individual farmers or a network of farmers;
- The addition of value must result from application of the farmers' own time, management, skills, and production resources to generate products with less capital expenditures and purchased inputs, or generate products of higher intrinsic value (e.g., organic) for which buyers are willing to pay higher prices;
- Profits from the value-added business operation flow to and within the community;
- Laborers are paid a “living wage”;
- Value-added initiatives result in more, not less, local and regional competition in the cash market;
- Value-added initiatives create incentives for resource stewardship and reward sustainable production systems (e.g., processing food-grade oats provides a market incentive for including oats in a corn-soybean rotation); and
- Value-added initiatives pursue specialty and differentiated products where small farms and small food processing firms will have a competitive advantage over larger firms.

> **54. Create additional rural community development corporations.** [ADMIN.]

As the lead agency for rural development, the USDA should initiate a study to assess opportunities for increasing the availability of equity in rural areas, and direct funds to facilitate the creation of organizations, similar to community development corporations, which could provide equity investments in rural businesses.

The role of the SBA and SBDCs in stimulating agricultural enterprises >

The mission of the Small Business Administration is to “maintain and strengthen the nation’s economy by aiding, counseling, assisting, and protecting the interests of small business...” (US SBA, 2001). The agency does this by providing training, counseling, and other forms of management and technical assistance, including information on tax strategies, formation of corporate structure, access to capital for start-up, networking for women and minority businesspersons, mentoring by retired business executives, and incubation for new business ideas.

As part of its responsibilities, the SBA administers the Small Business Development Center (SBDC) Program, which provides management assistance to current and prospective small business owners. The SBDC is a “one-stop-shop” for small businesses, providing information and guidance on a variety of issues to new or prospective business owners. There are currently 58 SBDCs—one in every state (except for Texas, which has four), and one each in the District of Columbia, Guam, Puerto Rico, Samoa, and U.S. Virgin Islands. Subcenters and satellite locations throughout every state offer information and guidance to small businesses. Colleges, universities, Chambers of Commerce, and economic development corporations also house SBDC subcenters and satellites. Each SBDC has permanent and volunteer staff trained in a variety of disciplines.

The SBDCs provide up-to-date counseling, training, and technical assistance in all aspects of business management. International trade assistance, technical assistance, procurement assistance, venture capital formation, and rural development are also provided. The SBDCs have special programs designed to reach minorities, economically disadvantaged groups, veterans, women, and the disabled. For example, the SBDCs counseled and trained nearly 600,000 clients in 1999, and over one million women have been counseled and trained since 1995.

As agricultural enterprises become increasingly engaged in struggles to create niche markets, the business information needs of agricultural producers have also changed. Many farmers are not accustomed to the intricacies of market development, nor are they fully educated concerning corporate and tax structures, access to alternative forms of credit, and international trade complexities. The SBDC structure could provide strong assistance to experienced farmers seeking new market opportunities, beginning farmers seeking a variety of business training opportunities, and agricultural cooperatives seeking formation and venture capital assistance. One barrier in many states is lack of coordination between the USDA and SBA.

RECOMMENDATIONS >

> 55. Target more of SBA outreach to farmers and farm families. [ADMIN.]

The SBA should recognize farming as an important American small business and should prioritize small, family-owned, agriculture-related businesses, whether located on or off farms, for key investments in economic growth. The agency should provide preferred treatment in program servicing, education, technical assistance, and microlending to small, family-owned agricultural businesses through the SBDC network. The SBA should also work with rural banks to educate their staff regarding the full set of potential uses of the agency’s programs.

The SBA’s 2001 budget authorization provided a record amount of financing, contracting, and training programs to small businesses. The budget includes more than \$15 billion in loan and venture capital assistance. The agency’s 2001 budget provides also over \$150 million for one of former President Clinton’s key initiatives, the New Markets Venture Capital Program, which is designed to increase access to equity capital and technical assistance to women and minorities and to businesses located in low-moderate income rural areas. These new efforts should include farm businesses.

> 56. USDA and SBA should fully integrate programs to assist farmers with funding value-added activities. [ADMIN.]

Within the USDA, the FSA and Rural Development divisions should coordinate their programs to

ensure that farmers who want to move into value-added, agriculture and resource-based business enterprises have access to USDA credit programs, especially those who are innovative and go beyond traditional, commodity-based enterprises. This effort should be integrated with the SBA to ensure that the full range of small business options in agriculture, both on and off the farm, is covered by one or more programs. This may require that each agency fund a distinct part of a loan.

As a part of this effort, the USDA, in cooperation with the SBA, should develop informational materials that detail the requirements for receiving credit for farmers and rural residents interested in value-added activities. In addition, through the Cooperative Extension Services, the USDA should establish formal agreements with the SBA-sponsored SBDCs to jointly assess the business plans of agriculture-related businesses. This can be accomplished through interagency cooperative agreements that can be put into place on a state-by-state case.

> 57. Establish a pilot program to integrate SBA programs with USDA programs.

[LEGIS.][APPROPS.][ADMIN.]

The Congress should authorize and provide funding in the 2002 Farm Bill for a five-state pilot program that would integrate the SBA and Department of Commerce programs with USDA programs to provide a coordinated package to rural areas. The pilot program would be based on lessons learned from Canada's Rural Partnership Program, which was developed to ensure that federal programs, policies, and activities provide support to rural communities. At the federal level the effort is led by the Interdepartmental Working Group (IWG), which currently consists of 29 federal departments and agencies. The IWG meets regularly to share information and to ensure that all departments are working together on the Canadian Rural Partnership. At the regional level the effort is spearheaded by Rural Teams in all provinces and territories, which are responsible for implementing the Program. The Rural Secretariat within Agriculture and Agri-Food Canada provides the overall leadership and coordination for this cross-government approach.

Conflict resolution in rural communities >

During the farm crisis of the 1980s, many states established a variety of conflict resolution programs aimed at helping farmers, lenders, and government agencies find less confrontational ways of resolving severe credit problems and disputes. Most of these programs used third party, neutral mediators to help settle disputes between lenders and creditors, and alternative loan servicing arrangements were often negotiated. Mediation programs are voluntary programs and, therefore, work only to the extent that all parties are willing to accept mediation and be bound by its results. They are conducted in a confidential and non-adversarial setting outside of the traditional process of litigation and appeals. Agricultural mediation can often help parties reach consensus after one or two meetings, thus settling disputes and resolving cases at significantly lower cost, and in a more timely fashion, than might be achieved by court action or formal appeal with the USDA's National Appeals Division.

Section 501 of the 1987 Credit Act (P.L. 100-223) provided for a federal matching grant program for the state mediation programs. Twenty-five states throughout the U.S. currently have USDA-certified Agricultural Mediation Programs, including Alabama, Arizona, Arkansas, Florida, Idaho, Illinois, Indiana, Iowa, Kansas, Maryland, Michigan, Minnesota, Missouri, Nebraska, Nevada, New Jersey, New Mexico, North Dakota, Oklahoma, South Dakota, Texas, Utah, Washington, Wisconsin, and Wyoming. The state programs joined together in 1994 to form the Coalition of Agricultural Mediation Programs (CAMP). The Coalition serves as a clearinghouse and forum for sharing ideas, examining commonalities and differences, and enhancing decisions about the conduct of rural mediation programs, and also provides a framework for people to work together on common legislative and administrative policy goals.

USDA certification means that the Department will participate in agricultural mediation cases. As a result, the USDA has been involved since 1988 in a cooperative partnership with the

states to address, through mediation, financial problems and other disputes with farmers and ranchers. The program was reauthorized in 1994 and its purposes were expanded in the 1996 Farm Bill to include a wide variety of other program disputes beyond agricultural credit issues. While a majority of mediation cases still pertain to credit issues, the state mediation programs are now able to deal also with farm program, conservation, and environmental disputes. The current statute (7 U.S.C. §§5101–5106) authorizes mediation programs to work on cases related to agricultural credit, wetlands determinations, compliance with farm programs, rural water loan programs, grazing on National Forest System lands, pesticides, and any other issues deemed appropriate by the Secretary of Agriculture.

RECOMMENDATIONS >

> 58. Increase USDA funding for the State Agricultural Mediation Program and provide entry assistance to states. [APPROPS.][ADMIN.]

The USDA should propose full funding for the State Agriculture Mediation Program based on full participation of certified states at the full match level, and the Congress should appropriate funding equal to such a request. The USDA and CAMP should cooperate to assist additional states interested in the program in becoming certified, offering technical assistance and advice.

At the current funding level of \$3 million per year, not all states that want to participate in the mediation program are able to, and participating programs receive less than a full share of funding. State requests for federal dollars have run about \$4 million, and at least 10 additional states are seeking certification. As the farm economy continues at depressed prices, the number of credit cases will rise. Moreover, as the scope of the program extends beyond credit issues, program size and costs will also potentially rise. The program is authorized at \$7.5 million, but has never received appropriations higher than \$3 million.

> 59. Broaden issues covered by mediation. [LEGIS.][REGS.][ADMIN.]

The list of issues covered by mediation should be extended beyond credit, conservation, and environmental requirements to also include crop and revenue insurance, civil rights, rural housing, other rural development programs, and possibly other areas of USDA's mission. Consideration should be given to including commercial credit disputes, or at least those cases in which the borrower also has a USDA direct or guaranteed loan at issue. This recommendation could be carried out administratively, using the "other issues deemed appropriate by the Secretary" authority, or could be specified in the statute.

Special Populations of Farmers and Farmers in Pockets of Poverty



Several populations of farmers and rural citizens have fallen behind as the U.S. agricultural sector and the national economy undergo dramatic changes. The USDA has a poor history of serving special populations of farmers, and farmers located in areas considered by social and demographic experts as “pockets of poverty.” Underserved special populations include African-American, Hispanic, American Indian, and women farmers. Those “pockets of poverty” that have received some level of attention in the past, but still require special efforts, include Appalachia, the Delta region, tribal land and reservation areas, and many other rural areas.

Over the years, the USDA’s failure to develop services for special populations or offer equitable services to such groups has led to civil rights violations. The civil rights controversies of recent years, which derive from decades of discriminatory treatment, culminated in *Pigford v. Glickman*, a class action litigation that achieved settlement in 1999. On January 5, 1999, African-American farmers and the USDA entered into a five-year Consent Decree in the Pigford case; the Court approved the settlement on April 14, 1999 (*Pigford v. Glickman*, Civ. Action No. 97-1978 (PLF), U.S. District Court for the District of Columbia). While there have been limited attempts to address the needs of farmers and the rural poor in traditional “pockets of poverty” within the U.S., there has never been a prolonged response to the needs of those in the Delta, Appalachia, or tribal land/reservation areas.

A recent USDA report, *Commitment to Progress, Civil Rights in the United States Department of Agriculture* (2000), claims that the agency has made some strides to improve its delivery of services to special populations. USDA officials continue to indicate their willingness to improve on the Department’s deficiencies, which were identified in the Civil Rights Action Team’s (CRAT) report and recommendations (USDA, 1997). Agency officials express commitment to holding employees and managers of the Department responsible when civil rights violations occur, and to strengthening the Department’s alternative dispute resolution program. Creation of the Office of Outreach and Outreach Councils are positive steps.

The *Commitment to Progress* report highlights a variety of other improvements made by the USDA. In addition to increasing numbers of loans to minority farmers and women and increasing representation on local committees, the Department established an Office of Civil Rights, with employment and program focus divisions, and a Civil Rights Division within the Office of General Counsel (OGC). The USDA’s Rural Business-Cooperative Service (RBS), Rural Housing Service, and Rural Utilities Service are said to be improving customer service through feedback at service delivery points. Agreements have been reached with numerous minority business associations to improve the use of minority firms in USDA service delivery. The agency also reports that 12.9 percent of all contracts awarded by the Department are now going to minority firms.

Service delivery by the USDA to American Indian and Hispanic farmers has historically been as low as the agency’s service delivery to African-American farmers. The Department has recently established USDA Service Centers at 32 tribal headquarters and in 39 other locations, and is performing surveys on customer service and workforce satisfaction nationwide. Whether these centers will remain in operation or be effective remains to be seen.

Financial investment in the 1890 land-grant institutions is reported to be on the rise, and the USDA has appointed a Farmworker Coordinator to address issues affecting migrant farmworkers. Departmental publications and other information are now being delivered in Spanish as well as English (USDA, 2000).



Efforts on the part of the USDA are long overdue in reaching a client base and addressing the needs of women, Hispanic, African-American, and American Indian farmers. The numbers of African-American and American Indian farmers continue to dwindle, and the lackluster—and, in most cases, blatantly discriminatory—treatment of these farmer populations should not be tolerated.

Policy recommendations in this area must address the need for USDA to devote higher levels of attention and increased amounts of financial and support resources to identify minority and women farmers, and to address their relative needs as special populations, as well as remedy past and present discrimination from USDA employees and county committees. In addition, as we embark on a new century, it is disgraceful that “pockets of poverty” still exist in this country. A renewed effort to address the needs of the Delta region, Appalachia, and reservation/tribal lands should be of utmost importance to the USDA. The Department must lead the efforts to alter the economic well-being of farmers and ranchers in these historically underserved regions of the country.

RECOMMENDATIONS >

> 60. Form a Special Commission on Rural Poverty to address causes and effects of “pockets of poverty.” [LEGIS.][APPROPS.][ADMIN.]

A Special Commission on Rural Poverty under the auspices of the Domestic Policy Council of the White House should be formed to initiate a government-wide effort to finally and conclusively deal with the causes and effects of “pockets of poverty” within the Delta region, Appalachia, and tribal land/reservation areas. The most creative minds from all disciplines should come together in properly funded and staffed initiatives. The government should launch a decade-long effort to comprehensively address the needs of these areas and bring these geographic regions into the economic well-being experienced now by most other areas of the nation.

> 61. Strengthen the USDA Office of Outreach. [LEGIS.][APPROPS.][REGS.][ADMIN.]

In 1997, in response to recommendation 37 in the CRAT report (USDA, 1997), the Secretary of Agriculture established the Office of Outreach, located within the USDA’s Office of the Assistant Secretary for Administration. Its mission is “to ensure that all potential customers have full access to all USDA programs and services.” The responsibility of the Office of Outreach is “to provide leadership and cooperation for program delivery outreach efforts throughout USDA” (Glickman, 1998). However, this office has not been visible and there are concerns that it is not meeting its mission.

The Office of Outreach should be legislatively mandated, adequately funded and staffed, and active in every state. Its office staff would work with USDA agency leadership in each state to develop and implement an effective outreach plan that includes identification of all potential program clients, and design and implementation of a creative outreach plan and methods to distribute all USDA services (educational, technical, business, and financial). USDA program outreach staff and agency leadership in each state will be held accountable for the effective implementation of each state’s plan. Although each USDA agency conducts outreach in program delivery through a variety of venues (including Internet Web sites, newsletters, press releases, and workshops), these efforts usually focus on an agency’s particular programs and services. A unified, department-wide systems approach is needed to assist potential clients in gaining access to information and services.

In addition, the Office of Outreach should contain ombudsman offices for each of these special farmer populations: women, Hispanic, African-American, and American Indian. Each ombudsman office should report directly to the Secretary of Agriculture. The ombudsman offices should have full investigative power and the authority to refer matters to the Department of Justice (DOJ) and the USDA’s OGC for additional action. These offices should be properly and adequately staffed with persons qualified to address the issues involved, and should be given full

authority to: (1) investigate complaints of discrimination; (2) propose resolutions to those complaints; (3) refer matters to a fully functioning alternative dispute resolution office within the USDA, or to mediators outside the agency; (4) recommend disciplinary action; (5) issue reports addressing acute or long-term problems within the USDA relative to discrimination against special populations; and (6) conduct fact-finding, needs assessments, and census-related inquiries concerning the client base from these special populations. Each ombudsman office should seat a nationwide advisory council from the special population in question, in order to provide input and guidance to the USDA concerning the special issues and needs facing women and minorities in agriculture.

A final role of the Office of Outreach would be to take leadership in: (1) a comprehensive census of agriculture assessing women and minorities involved in agricultural pursuits; and (2) a comprehensive needs assessment to determine the primary issues facing these groups working in agriculture, and what types of special programs should be initiated to encourage growth in numbers of women and minorities within agriculture.

The number of women involved in farming, particularly in small, direct-marketing farming enterprises or in contract farmer relationships, may, in fact, be on the rise. The difficulty in assessing actual numbers of women involved in contract production, for instance, may have less to do with USDA neglect and more to do with state legal frameworks. Regardless, a proper assessment of the role of women in the agricultural workforce, both in terms of actual numbers and in terms of their relative role in the farming enterprise, is long overdue. Currently, the U.S. is better equipped to assess women's role in agriculture in foreign countries, than to assess women's role in agriculture within this country. The efforts of Jill Long Thompson (former USDA Under Secretary for Rural Development) and others within the administration to focus attention on, and generate interest in, the role of women in agriculture should not go without mention and appreciation; however, there is no evidence within the USDA of a permanent, properly funded structure or initiative focused on women in agriculture. While the USDA hosted the "International Conference on Women in Agriculture" in Washington, DC, in 1998, this by no means qualifies as a concerted program designed to increase the visibility and success of women involved in agriculture.

> **62. USDA should pay claims tied to the Pigford class action lawsuit and proactively address concerns in other discrimination claims.** [ADMIN.]

Prompt and full payment of all claims tied to the Pigford class action litigation should be forthcoming immediately, without further need to resort to the legal system for payment of those claims. Should local or state office employees or officers be found delaying payment of those claims, those individuals should suffer immediate dismissal.

The resolution of the Pigford class action litigation is only a first step. While the USDA's *Commitment to Progress* report (USDA, 2000) indicated that payment of \$207 million has been issued from the DOJ to 4,130 farmers, as of July 2000, there had been demonstrations in various U.S. locations by African-American farmers who were still awaiting full payment of "approved" settlements. Those who have already suffered discriminatory treatment should not be required to return to the courthouse in order to force payment of funds that the Department has already agreed it must pay. This form of "back-door" continuation of discriminatory treatment is clearly unacceptable.

On November 24, 1999, American Indian farmers filed a class action lawsuit, akin to the Pigford litigation, on behalf of 19,000 Native Americans, which alleges the same forms of discriminatory treatment by the USDA. Settlement has not yet been reached with American Indian farmers. The swift settlement of this case is as critical as the payment of claims under the Pigford settlement. While investment in newly created 1994 tribal extension and land-grant institutions is important, the establishment of educational institutions meeting the needs of non-reservation American Indians, particularly those in the state of Oklahoma, should also be addressed. The staffing and proper funding of USDA Service Centers at tribal headquarters should be para-

mount to the Department, which needs to move swiftly to identify the unique needs of American Indian farmers.

Migrant farmworkers finally have a national Farmworker Coordinator within the USDA. That the Department would wait until 1999 to create such a post, when migrant farmworker issues have been prevalent for decades, speaks volumes. Hispanic and women farmers continue to endure the same forms of discrimination from local offices and county committees that African-American and American Indian farmers have historically suffered. Whether a class action suit will ever be filed on behalf of Hispanic or women farmers is unknown. The USDA has responsibility for preventing such lawsuits in the future.

Young, Beginning, and Retiring Farmers and Ranchers



The future of a widely dispersed, individually owned and operated family farm and ranch system of agriculture depends on the ability of new farmers to enter agriculture. In recent decades, farm entry rates have declined much faster than rates of farm failures and closures, so that the major changes in farm numbers have resulted from lack of new entrants. In many states, the farmer “replacement” rate has fallen to below 50 percent. In 1992, the American farmer was, on average, 53 years old. The USDA’s Economic Research Service (ERS) has estimated that, by the year 2002, 500,000 farmers will retire and only half will be replaced by new farmers (USDA NCSF, 1998). Historically, 77 percent of farm operators entered agriculture through family partnerships, but this trend is changing as rural populations decline and fewer children are available or willing to take over family farm operations when they come of age.

The aging of the farm population has been much discussed in the policy arena, but with little forthcoming in the way of strategic planning and action. Participants from five local visioning sessions—Routt County, Colorado; Southcoastal Massachusetts; Buncombe, Henderson, and Madison Counties, North Carolina; Knox County, Nebraska; and Sonoma County, California—identified policy barriers to new farm entry as a critical issue. The barriers that hinder a new generation from entering agriculture are significant and include:

- Insufficient farm exit and farm entry strategies;
- Inability to acquire initial capital investment and credit;
- Policy biases favoring current over future landowners;
- High rental rates and land prices due to heightened competition from established farmers or developers;
- Difficulty in identifying viable farm entry opportunities;
- Lack of community support; and
- Inadequate financial, managerial, production, and marketing assistance.

Credit for new farmers and ranchers >

Of the barriers to new farm entry listed above, only the ability to acquire initial capital and credit is traditionally addressed in federal policy. While many aspects of a comprehensive beginning-farmer credit program are in place, there are still considerable problems to be addressed.

A substantial portion of federal credit assistance is targeted to beginning farmers. The USDA offers farmers two types of loans, direct and guaranteed. Direct loans are made and serviced by Farm Service Agency (FSA) officials, who also provide borrowers with supervision and credit counseling. Funding for direct loans is limited, and applicants sometimes must wait for funds to become available. Currently, 70 percent of direct farm ownership (DFO) loan funds and 35 percent of direct operating loan funds are reserved for qualified beginning farmers and ranchers until the last month of each fiscal year. In addition, 60 percent of the DFO reservation must only be used for beginning-farmer down payment loans for the first half of the fiscal year.

Under the guaranteed loan program, FSA guarantees loans made by conventional agricultural lenders for up to 95 percent of principal. The lender is responsible for servicing the borrower’s account for the life of the loan. Twenty-five percent of guaranteed farm ownership loan funds and 40 percent of guaranteed farm operating loan funds are reserved for beginning farmers for the first half of each fiscal year. In recent years, the direct lending targets have been met or exceeded, while the guaranteed loan goals and the down payment sub-target have not been met.

The Downpayment Farm Ownership Loan Program (7 U.S.C. §1935) was started in the early 1990s to assist beginning farmers in making their first land purchases. Under this partnership-type loan, the farmer supplies 10 percent of the total purchase price, the USDA lends 30 percent of the total purchase price for 10 years at 4 percent interest, and commercial lenders, state programs, or sellers provide the other 60 percent. At the end of the 10-year period, the bank or other lender refinances the entire loan. The program has been used heavily across the Midwest and in a few other states. It has helped to create over 1,000 farming opportunities in six years through 1999. During the same period, over 5,000 regular direct farm ownership loans and 1,750 guaranteed farm ownership loans were made to beginning farmers.

A federal-state partnership was also initiated to combine federal assistance with state “aggie bond” programs. Aggie bond programs use federal tax-exempt financing to make lower interest loans available to beginning farmers (26 U.S.C. §147(c)). Nearly half of down payment loans have been made in conjunction with aggie bonds. Sixteen states currently have partnership agreements with the USDA under this provision of law.

Land acquired by the federal government through farm foreclosures is targeted for resale to beginning farmers. Under current law (7 U.S.C. §1985(c)), farmland is reserved for beginning farmers prior to sale to the general public, and if loan funds are not available at the time, the land may be leased to the beginning farmer for up to 18 months while new funds become available. Under this provision, over 500 farms (150,000 acres worth \$55 million) have been sold to beginning farmers, out of a total of nearly 10,000 inventory properties sold.

Efforts to improve the performance of USDA loan programs such as supervised credit (i.e., improved training of USDA farm credit staff), periodic loan assessment, and an enhanced effort to graduate borrowers to commercial credit were reintroduced in the 1990 Farm Bill (P.L. 101-624) and the Agricultural Credit Improvement Act of 1992 (P.L. 102-554). The new loan assessment program has been in effect since 1996, though inconsistencies have been identified among states in terms of consistent implementation. The number and quality of assessments vary throughout the country. An automated system to record assessments will be operational on a five-state trial basis in early 2001, with nationwide implementation by fiscal year 2002. The frequency and quality of loan assessment has also been placed on the agenda of periodic oversight visits to state and county offices.

A Borrower Training Program (7 U.S.C. §2006(a)) was initiated to increase financial management skills and review production options, including sustainable agriculture strategies. The USDA contracts with state or private providers to deliver the program. In many states, the program is run by community colleges. In some states, nearly all borrowers go through the training, while in others, waiver rates have been as high as 50 percent or more. The waiver issue is one that is likely to gain further attention. While many aspects of a comprehensive beginning farmer credit program are in place, there are still considerable problems to be addressed.

RECOMMENDATIONS >

> 63. Amend the Downpayment Farm Ownership Loan Program. [LEGIS.][REGS.]

The Downpayment Farm Ownership Loan Program should be amended in ways to make it more flexible and to attract further interest. These include allowing the borrower to provide between 5 percent and 15 percent (instead of the existing flat 10 percent) in down payment, and extending the government loan (30 percent of the purchase price) for 10–15 years (compared to the current flat 10 years).

Performance goals should be put in place to increase the percentage of loan funds used as down payment loans, starting at 40 percent and climbing over a period of years to 80 percent. A self-enforcement mechanism should be put in place so that if the performance goal is not met, the state loses an equal share of its funding. Those funds should be transferred to states exceeding Program goals.

The government offers both down payment partnership loans, which currently require 10 percent from the borrower and a willing private lender, and regular farm ownership loans that provide 40-year, 100 percent financing. With a limited pool of loan funds available each year, three to four times more beginning farmers could be served using the down payment partnership loans rather than the traditional loans. However, it is much easier for loan officers to offer traditional loans than partnership loans, and the USDA has never established effective performance goals for state and local offices.

> **64. Restrict “preferred lender” status to banks with adequate beginning farmer lending policies.**

[REGS.]

Statutes and regulations are in place to designate banks that have demonstrated a thorough understanding of the USDA’s policies and procedures in using federal guarantees as “preferred lenders” (7 U.S.C. §1989(d), 7 CFR 762.106). Preferred lenders are certified by the Secretary to handle the entire loan process. Because private banks using federal guarantees continue to fall considerably short of their target rates for loans to beginning farmers (though they do considerably better than Farm Credit System institutions), the rules should be rewritten so that, in addition to the other requirements, the preferred lender designation is available only to banks with an adequate beginning farmer lending policy that includes milestones to reach the statutory lending goals within a set period of years.

> **65. Improve aggie bond programs.** [LEGIS.]

Legislation should be passed to exempt first-time farmer aggie bonds from the Internal Revenue Code of 1986’s state volume caps on tax-exempt industrial revenue bonds (26 U.S.C. §146). In addition, the prohibition on USDA loan guarantees used in conjunction with aggie bonds should be removed. Finally, loan guarantees should be made available for contract land sales from private land sellers to qualified beginning farmers.

Aggie bond programs have been very successful in many states in providing additional funds for beginning farmer lending. However, their potential has been limited due to competition within states for tax-exempt bonds (of which agricultural bonds are a tiny fraction) and federal regulations preventing their use in combination with federal loan guarantees. Proposals to remove these limitations have been supported over the years by the National Council of State Agricultural Finance Programs, Communicating for Agriculture, Center for Rural Affairs, and Sustainable Agriculture Coalition, and were endorsed by the National Commission on Small Farms (USDA NCSF, 1998). Senator Charles Grassley (R-IA), the new chairman of the Senate Finance Committee, introduced a bill (S. 370) in February 2001 that would change the tax code to deal with the state volume cap problem.

> **66. Increase timelines in Inventory Land Sale Program.** [LEGIS.][REGS.]

The statutory timelines (7 U.S.C. §1985(c)) for inventory land sales should be lengthened so that farmland is available for sale to beginning farmers for no less than one complete normal land sale season. Requirements for splitting or joining parcels into appropriate sizes for beginning farmers and ranchers should be added and requirements for advertising land availability should be increased. The 18-month lease option should be maintained.

The rules related to inventory sales to beginning farmers are overly restrictive. Under the current law in most states, the window of opportunity for making these sales lasts only a couple of weeks and often does not occur at the time of year when farm sales are generally contemplated. There is not enough time for adequate publicity or time for settlement.

> **67. Implement and strengthen loan assessment and market placement provisions.** [ADMIN.]

The USDA should enhance and accelerate implementation of loan assessment and market placement provisions to ensure credit assistance is used as effectively as possible, and that graduation

to commercial credit occurs on a timely basis. Implementation of loan assessment and market placement programs has been inconsistent and has not been made a high priority within the agency.

> **68. Review Borrower Training Program and promote successes.** [LEGIS.][ADMIN.]

The USDA should undertake a comprehensive review of the Borrower Training Program, with specific emphasis on concerns related to waivers, access, cost, and number of vendors/sites. The most successful programs should be promoted as models for new national program guidance. New guidance should be developed to reduce the number of waivers and to remove the wide interstate variation on waivers. Strategies to increase the number of class locations and to keep costs as low as possible should be developed and implemented. The Congress should restore application of borrower training to beginning farmer guaranteed borrowers.

Under the Borrower Training Program, the USDA must provide educational training in financial and farm management concepts to all direct farm loan borrowers. The Department contracts with state or private providers to deliver the program. Currently, there are 181 vendors, of which 42 percent are community colleges, 17 percent are Cooperative Extension Service offices, 22 percent are colleges and universities other than Extension offices or community colleges, and 19 percent are private vendors. Many evaluations of the training programs have been very positive. However, a few vendors have been poorly ranked, and many states have too few sites to allow for convenient access to classes. In addition, the cost and length of the training varies considerably (from \$0–\$600 and from 15–75 hours), and waivers are too frequent and inconsistently applied from state to state. For example, in the past 3 years, 51 percent of all borrowers received waivers, including 41 percent of beginning farmers. The Congress originally required borrower training for all borrowers, but subsequently changed the law to require training only for direct borrowers, and not loan guarantees, even in cases where the guaranteed borrower is a beginning farmer.

> **69. Spread real estate loans for land contracts over a multi-year period.** [REGS.]

A process should be established to allow direct federal ownership real estate loans to be spread out over a multi-year period to facilitate the transfer of farms to beginning farmers and ranchers in cases where the seller wants to finance the sale on a land contract basis.

> **70. Improve Interest Assisted Guaranteed Loan program for beginning farmers and ranchers and socially disadvantaged farmers.** [LEGIS.]

The Interest Assisted Guaranteed Loan program (7 U.S.C. §1999) should be changed to provide qualified beginning farmers and ranchers and socially disadvantaged farmers with priority in the allocation of interest assisted guaranteed operating loans. In addition, the current 4 percent interest reduction should be limited to the first \$100,000 of an operating loan to a beginning farmer or rancher or to a socially disadvantaged farmer. A 2 percent reduction should apply to non-beginning farmer loans and to beginning farmer loans above \$100,000, up to a cap of \$300,000. Beginning and socially disadvantaged applicants should also be allowed to participate with positive cash flows and should have the option of participating on a 1–5 year basis, rather than one year at a time.

Strengthening other beginning farmer and rancher programs >

Despite a substantial investment in agriculture and in rural development, USDA research, training, and education efforts have little to offer new and beginning farmers and ranchers. The only existing federal program with dedicated funding for beginning farmers is direct and guaranteed credit, a necessary but insufficient response to the crisis of low farm-entry levels. Start-up strategies that minimize debt are an important ingredient in long-term success. In many instances, debt financing has, in fact, been overemphasized. Even when used appropriately, borrowing

needs to occur within the context of a broader set of services. The lack of training and outreach is a particularly pressing problem for the increasing percentage of new farmers who were not raised on farms.

Although Cooperative Extension Services and non-governmental organizations offer beginning farmer training and outreach programs in 16 states, they are underfunded to meet existing need. Among the broader programs that have sprouted up around the country—mostly generated by non-governmental organizations—are apprenticeship and mentoring programs, “land link” efforts to match retiring and young farmers, education on new farm-transition models, whole farm planning, and a variety of training programs.

Surprisingly, given their impact on the future structure and performance of agriculture, few federal research dollars address the particular needs of beginning farmers. None of the \$1.8 billion-a-year federal agricultural research and cooperative extension system budget is earmarked explicitly to address the particular needs of beginning farmers, such as innovative farm-entry strategies, low-capital-investment technologies and management systems, and new market development.

RECOMMENDATIONS >

> 71. Create a Beginning Farmer and Rancher Development Program. [LEGIS.][APPROPS.]

A Beginning Farmer/Rancher Development Program should be established to support new and established local and regional training and technical assistance initiatives that encourage new farming opportunities. These should include, but should not be limited to, mentoring and apprenticeship programs, curricula development, resource and referral services, “land link” assistance, innovative farm transfer models, entrepreneurship and business training, financial management, whole-farm resource planning, and risk management education. The program should receive mandatory funding through the Commodity Credit Corporation (CCC), with annual amounts starting at \$15 million and increasing to \$40 million over 5 years. The program should be administered on a competitive basis, with matching requirements, and should emphasize collaborative state-based and regional networks that include Cooperative Extension Service programs, community-based non-governmental organizations, relevant USDA agencies, and other appropriate partners. A national advisory board should include representatives from USDA agencies (CSREES, NRCS, RBS, Risk Management Agency (RMA), and FSA), National Farm Transition Network, National Council of State Agricultural Finance Programs, National Association of State Agricultural Loan Programs, and other organizations and coalitions with expertise in operating beginning farmer programs.

> 72. Create a Beginning Farmer and Rancher Research Initiative. [LEGIS.][APPROPS.]

A new Beginning Farmer and Rancher Research Initiative should be established and should dedicate its resources to researching, developing, and disseminating farm transfer, finance, development, management, production, and marketing models and strategies that foster new farming opportunities. These opportunities should emphasize innovative farm-transfer tools, low-capital-investment approaches, optimal use of skilled labor and management, high-value production and marketing methods, and other similar means of getting successful independent family farms started. The initiative should be funded at no less than \$10 million per year and should be administered on a competitive basis.

> 73. Include farm transfer planning training and education in borrower training and other beginning farmer programs. [ADMIN.]

The proposed Beginning Farmer and Rancher Development Program outlined above should encourage grant recipients to include education and outreach on farm exit strategies within their programs. In addition, the borrower-training program, administered by the FSA for direct loan

borrowers and implemented by community colleges, Cooperative Extension Service programs, private firms, and others, should include within its curriculum a brief introduction to the issue of business succession planning.

One of the major barriers to farm entry is the generally insufficient attention paid to farm exit strategies and business succession planning. Experts agree that farm-transfer planning should start early and be a significant part of the overall farm plan. Addressing farm succession too late or too superficially not only leads to problems for retiring farmers, but also reduces farm entry opportunities and options for beginning farmers. By giving priority to programs and farms that focus on keeping the farm in commercial production and making sure a beginning farmer will be well positioned to assume the farming operation when the current owner retires, these reforms will help ensure that the program remains centered on preserving family farms rather than rural estates or open space.

> **74. Make beginning farmers a priority in USDA research and education programs.** [ADMIN.]

The USDA's CSREES and RMA should revise requests for proposals, funding allocations, and ranking criteria under appropriate research programs, including the Initiative for Future Agriculture and Food Systems (IFAFS), Fund for Rural America, National Research Initiative (NRI), and Risk Management Education Program, in order to provide explicit priority to the specific research, extension, and education needs of beginning farmers and ranchers.

> **75. Conduct research on promoting the entry of small and beginning farmers into cooperatives.**

[ADMIN.]

As recommended by the NCSF (USDA NCSF, 1998, p. 96), the USDA should emphasize beginning farmer participation in its assistance to new and existing cooperatives. The USDA's RBS should research and develop the means for cooperatives to facilitate entry by new small farmers into cooperatives and to ensure that membership and control remain dispersed. Possible research/program areas include allocation of a portion of freed-up shares to beginning farmers, who would then have the opportunity to purchase the stock before existing members, and providing beginning farmers with the means to finance or assist in the financing of the stock purchase. Consideration should be given to using direct or guaranteed loans to finance participation in value-added agricultural cooperatives and to requiring cooperatives receiving federal financial assistance to reserve a portion of their membership for qualified beginning farmers and ranchers.

Farmland Preservation and Sprawl Management



Protecting productive farmland from non-agricultural uses has become an urgent and important issue for local communities across the nation facing rapid development and “unmanaged growth” or sprawl. In 1998, 72 percent of the 240 state and local ballot measures to protect farmland, watersheds, and other open spaces were approved. At the same time, the nation’s best land use data, the 1997 National Resources Inventory (NRI), shows that conversion rates of farmland almost doubled between 1992 and 1997. This is particularly disconcerting because 79 percent of the total U.S. production of fruit, 69 percent of vegetables, and 52 percent of dairy products are grown in metropolitan counties or fast-growing adjacent counties in the path of sprawl (Sorensen et al., 1997, p. 5). Worldwide, nearly 40 percent of the land used for farming is now “seriously degraded.”

A number of tools exist for states and local governments to protect farmland and ensure the economic viability of agriculture. Programs that are generally enacted at the state level include agricultural district laws (16 states), conservation easements (44 states), executive orders, growth management laws (7 states), purchase of agricultural conservation easement programs (also called purchase of development rights, or PDR, programs) (14 states and 6 additional states with local programs), right-to-farm laws (all states), tax relief (circuit breaker tax relief credits) (4 states) and differential assessment laws (49 states). At the local level, programs include agricultural protection zoning (24 localities), cluster zoning, comprehensive planning, mitigation ordinances and policies, right-to-farm ordinances, and transfer of development rights (TDR) programs (15 localities) (AFT, 1999).

Federal involvement in farmland protection began 20 years ago when the Congress passed the Farmland Protection Policy Act (FPPA) (7 U.S.C. §§4201–4209) as a subtitle to the 1981 Farm Bill (P.L. 97-98), following the release of the National Agricultural Land Study (US NALS, 1981). This Act requires federal agencies to evaluate the effects of federally funded programs on farmland conversion to non-agricultural uses, and to consider alternatives that would minimize adverse impacts. The next significant federal policy to support farmland protection was the Farms for the Future Act of 1990, which was authorized as a subtitle in the 1990 Farm Bill (P.L. 101-624). The Act set the precedent for federal funding of farmland preservation by authorizing the Resources Conservation Demonstration Program. This program provided guaranteed loans and subsidized interest payments to state and local farmland protection programs. It was reauthorized in the 1996 Farm Bill (P.L. 104-127) as the Farmland Protection Program (FPP) (16 U.S.C. §3830). The 1996 Farm Bill authorized \$35 million in federal funding for the FPP over six years (AFT, 1999). In the first year of the Program, demand for matching grants outstripped supply by 900 percent. All authorized funds were obligated in the first three years of the Program (AFT, 1997, p. 334; Daniels and Bowers, 1997).

The FPP has been enormously successful. To date, 19 states participate in the Program, while 8 others have committed state funds or are in the process of starting state programs. A total of 460 farms have participated in the FPP, preserving 127,000 acres from development, while leaving the land in private ownership and productive agricultural use. State and local matching funds leveraged almost \$200 million, bringing the total estimated easement value to \$230 million (Sells, 2000). The FPP has been especially compelling for the following reasons:

- It is voluntary and compensatory, protecting both property rights and farmland acreage. The farmland preserved is critical to both the agricultural economic base of rural and suburban communities and the environmental values provided by well-managed farms;

- The federal government holds neither the land nor the easements. Protected lands remain in the landowners' hands and on the local tax rolls, contributing to the local economy; and
- The Program is driven by local priorities. It encourages states and counties to work with local farmers to identify those agricultural resources that should be protected. The FPP simply provides matching funds to the state or local agency to leverage their efforts. As a result, FPP funds have been leveraged nine times over at the state and local level. The FPP has also encouraged states to initiate their own state-level PDR programs (Grossi, 1999).

However, researchers and analysts still disagree about whether farmland conversion in the U.S. is really a problem, and whether public programs to protect farmland are justified (Simon, 1990; USDA ERS, forthcoming). A federal role in farmland protection is also questioned, because many view it as a state and local concern (Fischel, 1982; Gardner, 1977; Krieger, 1999). Several studies suggest that programs to protect farmland are not necessary because market forces will efficiently allocate land among alternative uses. However, market forces currently favor development of land, over agricultural uses, because they fail to capture the entire social, economic, environmental, and cultural benefits of agricultural land and the long-term costs of development. The question of whether public monies are best spent on farmland protection programs depends on the relative value of the unique benefits associated with the resource. In research conducted by American Farmland Trust, Chicago area residents, who were asked to rank public spending priorities, placed protecting farmland and open space on par with reducing crime and improving schools. They were also willing, on average, to add \$57 a year to their property taxes over a 30-year span to permanently protect 20,000 acres of farmland in their counties (Krieger, 1999). The undervaluing of farmland drives suburban sprawl and raises obstacles to efficient land use and conservation. Sprawl adds to the economic and environmental stress of the community and further accelerates the loss of farmland. Many communities have identified the protection of farmland as a vital component in their efforts to deal with sprawl and its associated fiscal inefficiencies.

Similar support for farmland and open-space protection can be found across the country. The consequences of sprawling development, namely crowded schools and roads, impaired watersheds, loss of open space and farmland, and erosion of traditional communities, have become rallying cries for policy changes at all levels of government. According to a recent poll conducted for Smart Growth America, 83 percent of Americans support the "establishment of areas for green space, farming and forests outside of existing cities and suburbs that would be off limits to developers" (Smart Growth America, 2000, p. 2). Farm, ranch, and forestlands provide the economic, cultural, and environmental benefits that communities view as critical to their quality of life. The potential impacts on water quality are even more striking. After roughly 20 percent of a watershed is developed, most streams have been severely degraded or destroyed (US EPA, 1999, p. 1). Parking lots generate almost 16 times more runoff than a comparable amount of farmland (US HUD, 2000, p. 14). Based on several studies of the public's willingness to pay, the ERS estimates that residents in counties facing rapid development would pay \$1.65 billion per year to preserve farm and forest lands (USDA ERS, forthcoming).

Many of the visioning sessions addressed issues regarding farmland preservation and sprawl management, including Routt County, Colorado; Ada and Canyon Counties, Idaho; Vermilion Parish, Louisiana; Southcoastal Massachusetts; Grand Traverse Bay Area, Michigan; Buncombe, Henderson, and Madison Counties, North Carolina; the Chesapeake Bay and Southwest regional sessions; and the national session. Several participants stated that although their communities are very supportive of agriculture and are instituting farmland protection strategies, local, state, and national efforts are not adequate to address the growing loss of agricultural lands to non-agricultural uses. Comprehensive, long-term land use planning is necessary to enhance farmland protection and minimize the negative impacts of urban sprawl. Farmers, ranchers, and local residents and decision-makers must be empowered with the education and information to access, and use effectively, all of the tools available to successfully protect farmland, manage growth, and control sprawl.

Strengthening and broadening USDA's Farmland Protection Program >

The only USDA program that provides funding for farmland protection is the FPP, administered by the Natural Resources Conservation Service (NRCS). Although the program has been successful where it has been implemented, it is not meeting its potential in encouraging state, local, and private partnerships. Neither has it been fully successful in providing communities, farmers, ranchers, and residents with access to planning tools that will complement and leverage farmland protection investments, improve natural resource stewardship, reduce sprawl, and achieve "smart growth" strategies. The USDA needs to broaden its own efforts to protect farmlands, and to work in partnership with other federal and state efforts.

RECOMMENDATIONS >

> 76. Increase funding for and strengthen the Farmland Protection Program. [LEGIS.][APPROPS.]

The first step towards protecting farmland is the passage of legislation that would reauthorize funding for the FPP. Once reauthorized, appropriating sufficient funds for the program will be critical. The amount requested in the FY 2002 Agriculture Appropriations bill should be at least \$75 to \$100 million. One example of current proposed legislation to do this is the Securing a Future for Independent Agriculture Act of 2001 (S. 20), sponsored by Senator Tom Daschle (D-SD) and 15 other senators. The bill reauthorizes the FPP at up to \$250 million per year.

Next, the FPP must be reauthorized in the 2002 Farm Bill. Given the state and local commitment, the increasing amount of farm and ranch lands threatened by sprawling development, and growing public support for investments in permanent protection, at least \$500 million per year should be committed to the federal program.

Since existing local, state, and federal programs to assist landowners in preserving farmland generally do not include any linkage to preserving the farming operation through farm transfer planning, the reauthorized FPP should be revised to incorporate such a linkage. State and local programs should receive extra ranking points in the fund allocation process if they require or encourage thorough farm transfer planning on the part of the easement payment recipient. Likewise, individual easement offers that incorporate or cross-reference well-developed transfer plans should also receive funding priority.

Further, the Secretary of Agriculture should authorize up to 10 percent of the FPP funds for educational assistance. The funds would be allocated by the NRCS to all states to provide educational training and "train the trainer" programs, for the purpose of educating the public, farmers, ranchers, and decision-makers about:

- Current issues associated with loss of productive farmland (cost of services, loss of social, economic, and environmental amenities);
- The value of comprehensive, long-term land use planning (including land use data collection) that designates farmland protection a priority;
- Tools that communities can use to protect farmland (e.g., PDR, TDR, estate planning, zoning, agricultural districts, real estate transfer taxes, land banking, and urban in-filling);
- Reviewing and evaluating local regulations that may encourage sprawl;
- Using existing spatial databases to understand land use changes;
- Accessing cost-share funds for conservation practices; and
- Accessing other types of training including farm management and marketing.

Working through their respective NRCS State Conservationist, in conjunction with the State Technical Committee, the states will determine the educational needs and the most appropriate organizations for education delivery, and allocate funds. For states that want to use all FPP funds for farmland protection, educational dollars can be converted and used as matching funds for purchase of easements, and this must be documented in the state's proposals.

In 1997, the NRCS funded a national project on farmland awareness training, producing a Farmland Protection Awareness Training notebook (USDA NRCS, 1998) that was distributed to

all NRCS field offices. Since 1998, the USDA-CSREES Sustainable Agriculture Research and Education (SARE) program has directed roughly \$120,000 in competitive funds into developing “train the trainer” workshops focusing on farmland protection in Ohio, Illinois, the Delmarva Peninsula, and the Rocky Mountain area. These efforts are a good start and should be expanded.

The Secretary of Agriculture should authorize an additional one percent of the FPP funds for critical research needs including:

- Developing land use inventories at the state level to track the fate of farmland and identify strategic farmland to save;
- Quantifying the impact of farmland conversion on key environmental concerns, such as water quality and wildlife populations; rural economic health; and regional food security;
- Developing procedures that will help rural communities recognize local amenities and include them as part of their development strategies, while at the same time minimizing conflicts with traditional rural enterprises;
- Analyzing the possible benefits of using Internal Revenue Service (IRS) tax credits for land sold at less than market value;
- Developing debt reduction tools in exchange for easements;
- Studying the impact of transfer taxes on real estate sales when farmland is sold from farmer to farmer, including the barriers to farm transfer planning; and
- Developing flexible, creative payment strategies for purchasing development rights, including deferred annuities instead of cash payments, and payment restructuring to create a long-term income stream.

Funding for research should be competitive. The states, with their respective NRCS State Conservationist, should determine research needs, and the most appropriate organizations to conduct that research, and submit the funding request. The NRCS should document the use of educational and research funds, and this information should be made available to the public.

> **77. USDA should partner with EPA on farmland protection efforts.** [ADMIN.]

Farmland protection is a critical component of sprawl management; therefore, the USDA should leverage the 10 percent of FPP allocated for educational assistance by partnering with the Environmental Protection Agency’s (EPA) efforts to strengthen local capacity. For example, in EPA Region 1, New England’s Action Plan includes strengthening local capacity through training and regional growth forums, as well as building partnerships (US EPA, 2001). The Living Communities Initiative is aimed at fostering sustainable economic development that does not contribute to sprawl in the region. Farmland protection training could be integrated with EPA’s “Fundamentals of Smart Growth” and “Regional Growth Forums” training programs.

Currently, EPA training programs are being developed in partnership with state and regional planning agencies, educational organizations, developers, and nonprofit groups. Linking these programs with farmland preservation will increase awareness and understanding of smart growth issues, build the capacity of local communities to better manage growth, provide access to resources at the state and federal levels, and encourage communities to work collaboratively across levels of government. In New England, for example, federal partners will provide communities with new tools and resources to protect green space, ease traffic congestion, and develop regional growth strategies. The New England offices of the EPA, Department of Housing and Urban Development (HUD), and Department of Transportation (DOT) are signing a Federal Smart Growth Agreement to combine existing resources to meet the goals.

> **78. Allocate competitive grant funds to research on farmland conversion.** [ADMIN.]

USDA and EPA competitive grants programs (i.e., USDA’s National Research Initiative and IFAFS, and EPA’s Science to Achieve Results, or STAR, grants) should include quantification of the impact of farmland conversion on key environmental concerns, and any other research needs

identified by farmland protection programs, as priority issues. Research funded and conducted through competitive grants should be coordinated with research conducted through FPP funding.

For example, funding under the EPA's Resource Protection Project (EPA Region 1) supports the identification of critical resources and the development of protection strategies for those resources. This research supports the work of grassroots groups engaged in land conservation activities to protect critical resources.

> **79. Give states the flexibility to allocate match FPP funds for 10-, 20-, and 30-year easements.**

[ADMIN.][STATE]

Although permanent farmland protection is the preferred public investment, project participants agreed that in some cases short-term easements should be used to protect valuable farmland, providing time to plan for future permanent protection. Because the need for short-term easements is a local issue, the FPP should give states the flexibility to use their FPP matching funds for short-term easements. A conservation plan and a farm business plan should be required for eligibility for short-term easement funding. Business planning includes inventories and assessments of farm financial records, cash-flow analyses, management practices, equipment, buildings, marketing and markets, and budgets. There should be penalties if terms of the contract are broken, including payment recovery with interest. To be eligible for a short-term easement, an applicant should have owned the land for a minimum of five years. The following is how the costs could be distributed between the state and the landowner: (1) 10-year easement: owner/farmer absorbs transaction costs; (2) 20-year easement: owner/farmer absorbs 50 percent of transaction costs; and (3) 30-year easement: no costs to the owner/farmer.

Supporting the National Spatial Data Infrastructure >

Accurate, sufficiently detailed, complementary, and manageable land use databases are not widely available for use in inventorying agricultural lands at different levels of specificity (e.g., town, city, parish, county, and region). Land use databases, usually manipulated through geographic information systems (GIS), are incredibly powerful. For example, Dane County, Wisconsin, used GIS to develop visualizations of how the landscape would change under various planning options. The development of maps showing the potential impacts of sprawl led to public support for open space and passage of a \$30 million referendum to purchase and protect open space.

The House Subcommittee on Government Management, Information, and Technology, Committee on Government Reform, held hearings on June 9, 1999, on "Using Geographic Information Systems." Most of those who testified agreed that:

- There should be more cooperation to form spatial data collection, production, maintenance and sharing agreements to make it possible to build GIS that can be used by all levels of government, as well as the private sector;
- All levels of government and the private sector should adopt and implement national data standards and interoperable systems;
- All levels of government and the private sector should implement the concept of "locally independent, regionally coordinated, multiple-purpose GIS" to build the National Spatial Data Infrastructure (NSDI); and
- The Congress needs to promote "best GIS practices" and provide the necessary resources to implement these technologies (Babbit, 1999; Geringer, 1999; Hall, 1999; Kanjorski, 1999; Sweet, 1999).

Several committees and organizations are involved in trying to manage GIS technologies and the generation of land use databases. One example is the USDA Interoperability Committee of the Chief Information Officer Council, a forum for facilitating government-wide interoperability standards and addressing related information management issues, concerns, and requirements of the federal government. It is responsible for identifying and recommending solutions for sharing

information on GIS, identifying ways to encourage commonality among information collection systems, minimize collection points, and utilize shared databases.

RECOMMENDATIONS >

> 80. Accelerate implementation of the National Spatial Data Infrastructure. [REPT. LANG.][APPROPS.]

The Congress should accelerate implementation of the NSDI by supporting full funding for the Community/Federal Information Partnership (\$40 million) for the Departments of the Interior, Agriculture, HUD, Commerce, and Transportation, and the EPA, and by urging partnerships and resource sharing among the major governmental users of geographic data.

The NSDI was established by Executive Order 12906 (59 FR 17671–17674) in 1994 to improve the use of geographic information. It is overseen by the Federal Geographic Data Committee, which is chaired by the Secretary of the Department of the Interior. The initiative is a collaborative effort to build a geographic or “spatial” infrastructure like the transportation network or telephone service; it recognizes that GIS are data driven and large amounts of data are used and need to be shared. This will require enhanced and universal bandwidth. Government can help stimulate this by being an anchor tenant on systems developed by the private sector. In addition, agencies can help to foster the capacity to develop, access, and use data and GIS technologies, including hardware, software, metadata standards, clearinghouses, and development of local and regional councils.

While the Congress has been supportive of the idea of the NSDI, the initiative lacks sufficient funding. To demonstrate its potential, there are six NSDI projects across the nation, which are focused on solving livability issues such as suburban sprawl and environmental degradation.

The Community/Federal Information Partnership is being developed by the 17 federal agencies that make up the Federal Geographic Data Committee, in cooperation with organizations from state, local, and tribal governments, the academic community, and the private and nonprofit sectors. The partnership initiative has two integrated components: (1) a competitive matching grant program to help increase the capacity of communities to create and use geographic data in decision-making, and (2) support for federal agencies to make their geographic data more readily available to communities.

> 81. Define the development threats to farmland. [ADMIN.]

As a means of targeting policy and programs at the federal, state, and local levels, the USDA should establish a commission or working group with other federal agencies (e.g., Department of the Interior), to create a common set of definitions of land cover and land use that capture farmland’s importance and vulnerability to development. The definitions should also capture the amenity values, such as wildlife habitat, scenic open space, and water-filtering capabilities, which such lands provide.

Although there are numerous existing land use definitions and databases, they are not necessarily compatible. The USDA-NRCS maintains the Natural Resources Inventory (NRI). This is the most comprehensive natural resource database in the nation. It is conducted every five years, and tracks changes in land cover and land use, soil erosion, selected conservation practices, wildlife habitat, and wetlands (USDA NCSF, 2001). The Department of the Interior’s U.S. Geological Survey (USGS) Land Cover Trends project, started in 1995, is documenting the rates, causes, and consequences of land use and land cover changes for eco-regions within the U.S. for the 1972–2000 time period. One of its goals, like the NRI, is to document the rate of change from agricultural to urban land cover. However, USGS researchers use different definitions of farmland than those used for the NRI, and also collect the data differently. State land use databases also differ in their scope, scale, and land use classifications (Loveland, 2000; USGS, 2001).

With support from federal agencies, the American Planning Association has published land-based classification standards that define land uses based on their characteristics (APA, 1999). In

addition, some states have established standards that respond to unique scale and uncertainty factors. The use of remote sensing technologies will change rapidly over the next couple of years as the Terra satellite and other platforms become more widely used, classification protocols are developed, and information is more widely disseminated over the Internet. The Department of the Interior's USGS Land Cover Characterization Program (LCCP) is set up to serve as a central facility for access to, or information about, land cover data.

Linking farmland protection programs, natural resource conservation, and agricultural economic development >

A prevalent view of farmland protection programs is that they do more to protect open space than to protect farm viability. Vision session participants identified the need for farmland protection policy to address farm profitability, value-added opportunities, marketing, financial management and business planning, and development of cooperatives. Profitability is critical to ensuring the continuation of farming businesses on publicly protected private lands. Natural resource conservation is also a vital component of farmland protection. Not only do conservation practices contribute to the long-term sustainability of the farming operation, they also reduce off-farm impacts.

Much of the public support for farmland protection hinges on farms being well-managed and minimizing pollution. The USDA's FPP requires the development of conservation plans on farms for FPP funding eligibility. However, farmland protection programs at the national level are not sufficiently linked to agricultural economic development initiatives. Once a farmer has made a commitment to permanently keeping his or her land in agriculture, incentives for retaining a working agricultural landscape must be in place.

RECOMMENDATIONS >

> 82. USDA should foster strong linkages between farmland protection and agricultural economic development. [ADMIN.]

In order to ensure the economic viability of farming and the continuance of working agricultural landscapes in areas where farmland protection program funds are allocated, the USDA's FPP proposal ranking procedure should provide higher priority to those states that form partnerships to provide business planning and agricultural economic development services to farmers and farm businesses. To receive high priority ranking, farms receiving FPP funding should also be the first in line to receive these services.

Water and Air Quality



Several visioning sessions addressed water and air quality issues related to agriculture, including Parke and Montgomery Counties, Indiana, and the Chesapeake Bay and Corn Belt regional sessions. The Chesapeake Bay session focused also on atmospheric deposition of nutrients, and Deaf Smith County, Texas, discussed air particulate matter (PM) and air quality at its session. Another issue of concern that was raised in these sessions was the lack of policy coordination for water and air quality issues.

There has been much public attention focused on the impact of agricultural practices on water and air quality. Agriculture's large land base and intensive, high-yield crop production, along with recent regional concentration of animal production, are factors that together have significant effects on water and air quality. According to 1998 state reports to the Environmental Protection Agency (EPA), an estimated 60 percent of stream impairments were related to agriculture, with siltation and nutrients as leading causes. In reservoirs and lakes, 30 percent of impairments, the largest percentage attributed to one source, were related to agriculture, with nutrients the leading cause. In estuaries, agriculture was the third leading cause of impairment, behind municipal and industrial discharges and urban runoff. Nutrients impaired 23 percent of reported estuaries, but "oxygen depleting substances," including algae growth related to nutrients, impaired 42 percent (US EPA, 2000).

There is also increasing concern about the redeposition of ammonia in water bodies or as "pass through" from land surfaces. Atmospheric deposition is considered to be a major source of nitrogen pollution, causing eutrophication in estuaries worldwide. It is estimated that about one-quarter of all nitrogen reaching the Chesapeake Bay originates from atmospheric sources, and that one-third or more of that nitrogen is deposited as ammonia (Chimka et al., 1997). In less densely populated or industrial areas with substantial animal agriculture (e.g., the Mississippi River Basin), ammonia may be the dominant form of atmospheric nitrogen.

Substantial public interest has also developed around agricultural impacts on air quality. Many of the more contentious issues have involved nuisance odor and dust (particulate matter) problems that are significantly affecting health and quality of life in many rural communities. Rural communities that are dependent on agriculture for jobs and economic development face numerous challenges in balancing economic survival with quality-of-life issues and environmental quality. Currently, much of the conflict surrounding animal feedlots and air quality is taking place at the local level.

Coordination of water and air policies is the third area of focus in this section. Increasing concern over air and water pollution has resulted in many new activities, programs, and regulations by federal, state, and local governments. Although many of these initiatives, most notably the Federal Water Pollution Control Act of 1948 (33 U.S.C. §§1251–1377), known commonly as the Clean Water Act, have led to significant improvements in the nation's water quality, they have resulted in a complex set of requirements, incentives, and subsidies that are difficult to understand individually, or as a whole, and are sometimes conflicting. In 1996, the General Accounting Office (GAO) identified 72 federal programs and initiatives in 8 departments and agencies that either directly or indirectly supported water quality protection and enhancement. According to agency estimates, at least \$4.6 billion was spent on these programs in FY 1995 (US GAO, 1996b). In 1997, the GAO confirmed that water quality was an area with potential fragmentation and overlap (US GAO, 1997).

Among federal agencies, the EPA has the major responsibility for implementing the Clean Water Act and Clean Air Act (42 U.S.C. §7401 *et seq.*). Evaluating EPA's programs, the GAO found that the agency had failed to target its resources as efficiently as possible because it did not

have an overarching legislative mission and its environmental responsibilities had not been integrated (US GAO, 1995). Over the years, the Congress has responded to environmental threats with individual laws that tended to assign pollution control responsibilities according to the environmental medium (such as air or water), and often prescribed implementing requirements and mandated time frames for their completion.

The ability of agencies to work together to address complex environmental challenges at the ecosystem level (e.g., the Chesapeake Bay region) is also limited. The GAO found that data needed for ecosystem management, collected independently by various agencies for different purposes, were often not comparable and insufficient (US GAO, 1994a). They concluded that any attempt at a government-wide approach to ecosystem management would require unparalleled coordination among federal agencies, as well as consensus building among federal and nonfederal parties.

Comprehensive nutrient management planning >



There is inadequate knowledge of the extent of regional nutrient imbalances, particularly based on phosphorus, and of options for correcting the imbalances. Basing nutrient application on both nitrogen and phosphorus will exacerbate an already severe nutrient imbalance in regions of concentrated animal production. Current efforts to find alternative uses for agricultural waste products, or alternative means to redistribute agricultural wastes, are fragmented and not necessarily supported by a strong scientific knowledge base. There are also unanswered questions about the economic and/or environmental sustainability of some uses.

The USDA has offered some programs that reduce nutrient use on agricultural lands. The Conservation Reserve Program (CRP), for example, has been used successfully to remove marginal lands from production. In recent years, the CRP has focused on placing environmentally sensitive lands, particularly in areas with water quality problems, in reserve. USDA has also promoted nutrient management whereby farmers consider all available nutrients in developing fertilizer application rates, to reduce agriculture's contribution to nutrients in water. These rates are based on economically optimum yield responses and university or fertilizer industry recommendations. Nutrient management planning has been a significant piece of several voluntary USDA conservation programs, such as Integrated Crop Management, Water Quality Incentives Program (WQIP), and Environmental Quality Incentives Program (EQIP). To encourage farmers to adopt nutrient management, a pilot program was established to offer "risk" insurance for farmer adoption of nutrient management or crop production best management practices (BMPs). Producers do not generally run a risk of reduced yields because the BMP recommendations are based on economically optimum yields developed in a manner that guarantees that nutrients would almost never limit yield. The insurance is still useful, however, when premiums are subsidized, in overcoming farmer perception of risk with the practice, and insurers are comfortable offering policies to insure these practices.

In some states and regions farmers are required to implement Comprehensive Nutrient Management Plans (CNMPs), particularly in impaired watersheds. The most frequent target of nutrient management is confined livestock operations. Federal CNMPs were first proposed by the USDA's Natural Resources Conservation Service (NRCS) and EPA as part of the Unified National Strategy for Animal Feeding Operations (USDA and US EPA, 1999). The USDA-NRCS led the development of the definition of a CNMP, in consultation with the EPA, and the final CNMP Technical Guidance was released in December 2000 (USDA NRCS, 2000). The CNMP Technical Guidance addresses waste handling and storage, land application (traditional nutrient management), land management (traditional conservation measures), and record keeping. For some operations, feed management and alternative uses for animal wastes must be addressed. Although the name of the federal CNMP suggests broad coverage, it is narrowly focused on animal waste issues, and does not address water quality issues on the larger acreage that does not receive

manure. It also focuses on individual farm impacts and does not view farms as part of the broader watershed and ecosystem. The CNMP exclusively addresses animal feeding operations (AFOs) and is particularly focused on larger operations or others that may be designated as “concentrated animal feeding operations” (CAFOs), which are required to obtain EPA/state discharge permits (USDA and US EPA, 1999).

RECOMMENDATIONS >

> 83. Develop Farm and Watershed Protection Plans. [REGS.][ADMIN.]

The USDA should develop a multi-agency process for creating Farm and Watershed Protection Plans (FWPPs) that address nutrient impacts from all sources on the farm. The plans should consider the impact from the farm individually and also as part of the cumulative watershed impact. They should include science-based estimates of reductions in nutrient or sediment impacts on receiving water bodies. While working to meet production objectives, the FWPP should also be viewed as part of the overall nutrient watershed protection program for local or regional water bodies. Reductions from the FWPPs should be considered cumulatively with all other local watershed protection activities, in order to work toward restoration of local or regional water bodies. The FWPP, with a mechanism for documenting full and continuing implementation, should be sufficiently rigorous in nutrient reductions to meet state and federal performance requirements for nutrient management, CAFOs, and total maximum daily loads (TMDLs). The NRCS should evaluate implementation of FWPPs (using random spot-checks of completed plans), and the EPA or state environmental agencies should be responsible for any necessary enforcement.

The FWPPs should consider all the components of the NRCS CNMP Technical Guidance, but with a more uniform approach to nitrogen- and phosphorus-based plans than is currently required. It should be rewritten to be applicable to all types of agricultural operations. The NRCS should commission a study to evaluate existing state/regional programs for CNMP, to identify places to strengthen the current standard or provide appropriate flexibility and/or regional variability. The federal plans should be made consistent and complementary with current state programs. Existing state programs should be allowed to substitute for portions of the FWPP where deemed equivalent.

The USDA’s NRCS and Agricultural Research Service (ARS), with selected land-grant universities, should initiate a pilot program in each of the 12 representative watersheds (11-digit Hydrologic Unit Code or HUC) nationally in 2001 to determine implementation feasibility and water quality improvement from watershed-wide implementation of FWPPs. The pilot program and subsequent expansion of this approach to watershed management should be consistent with the Conservation Security Act of 2000 (S. 3260) proposal that was introduced by Senator Tom Harkin (D-IA) on October 27, 2000.

Components of a comprehensive watershed protection program should include:

Monitoring. The USDA-ARS and land-grant universities, working with USDA-NRCS and U.S. Geological Survey (USGS), will monitor representative watersheds where landowners have agreed to fully implement the FWPP, to determine potential nutrient reductions from vigorously developed and implemented plans. Funding will be needed for pilot monitoring programs, along with strong incentives for landowner participation. The results of the monitoring will determine to what extent the plans help meet water quality requirements and will highlight the need to strengthen plan components. All components discussed below need to be part of FWPP development.

Process for compliance with water quality requirements. Farmers who can document full implementation and maintenance of FWPPs within five years of implementation of the program should be deemed to be meeting water quality requirements. The FWPPs should be voluntary, but farmers who can document full implementation of the plans should be found in compliance

with state and federal nutrient- (and sediment-) related water quality requirements. Farmers without FWPPs will need to show through monitoring, record keeping, and/or other means that they are achieving water quality at least equal to a fully implemented FWPP, to meet state or federal water quality requirements.

Continuing education requirement. The program should establish a minimum level of continuing education requirement as a condition of the EPA's CAFO National Pollution Discharge Elimination System (NPDES) Permits. Environmental protection for livestock operations is a function of an operation's manure system and the operator's management and expertise. Education, therefore, can play a key role in helping an operator better manage the environmental factors of a livestock facility. The EPA's Pesticide Applicator Certification and Training Program could serve as a model for a manure and nutrient management continuing education and/or certification program.

> **84. Require that NPDES permits for CAFOs include management plans for land application of manure.** [ADMIN.][REGS.]

The final EPA regulations for NPDES permits should retain the provision that was included in the draft regulation issued on January 12, 2001 (66 FR 2959–3145), which requires CAFOs to include a CNMP for the land application of livestock manure as part of the NPDES permit.

The Clean Water Act's provisions regulating large-scale livestock operations contained a paradox that has affected its implementation. The Clean Water Act regulates those operations discharging into U.S. waters; the EPA's effluent guidelines for animal feeding operations require that manure storage and handling facilities be constructed so as not to discharge any effluent. Accordingly, livestock producers have argued that, since the livestock facility cannot discharge, the operation is not subject to the provisions of the Clean Water Act. However, many confined animal operations rely on land application of manure on other portions of the farms, or on other farms. In some parts of the country where there are large numbers of confined animal operations, there is inadequate land available to effectively utilize and manage the nutrients in livestock manure. Because this land application has not been considered as a discharge from the operation, land-applied manure from CAFOs has become an environmental problem in some areas.

In 1999, the EPA issued a draft Guidance Manual for CAFOs. The proposed guidance argues that CAFOs will discharge effluent into water at some time in the future, and therefore need to secure an NPDES permit. As one requirement of the NPDES permit, the EPA recommends that CAFOs should develop and implement a CNMP that includes pollution prevention measures, land application practices, and record keeping procedures. The proposed NPDES rule is consistent with this recommendation.

> **85. Improve the NRCS nutrient management practice standard.** [ADMIN.]

The current NRCS nutrient management practice standard (i.e., practice number 590 in the NRCS Field Office Technical Guide, or FOTG, the manual used by NRCS employees to develop best management practices on a farm) should be revised to include ammonia deposition as a nutrient source.

The NRCS or other USDA agency standards should include recommendations for ammonia control at all animal production facilities and waste management and storage facilities/practices where any federal funds or technical assistance are provided. A special research and education program should be created within USDA-CSREES to accelerate development and implementation of ammonia control methodologies. Cost-share funds should be made available to non-permitted animal operations to assist in the purchase and implementation of ammonia-reducing equipment or methodologies.

> **86. Characterize the extent of the nutrient imbalance nationally.** [APPROPS.][ADMIN.]

National and/or regional studies should examine the costs of redistribution and mechanisms for recovering costs of redistribution of excess nutrients and control of ammonia deposition within the animal/meat production system. The studies should also suggest the possible roles for state and federal government, commodity organizations, and the grain and meat industries, as well as farmers. Funding should be provided to land-grant universities or the USDA-ARS to conduct these studies.

In order to facilitate the studies on ammonia deposition, the NRCS and EPA, working with the USDA's ERS and ARS, and the land-grant universities, should develop estimates of ammonia emissions from animal agriculture. The estimates should include national, regional, and state total emissions; redeposition patterns; and emissions estimates by animal type, production facility, waste storage method, and land application approach. Estimates should be based on the best available science from around the world, with interpretation based on applicability in the U.S. Knowledge gaps and areas of uncertainty should be identified and a research and monitoring program carried out by the agencies above.

> **87. Develop a national strategy for balancing nutrient use in agriculture.** [APPROPS.][ADMIN.]

Evaluations of waste redistribution and alternative uses should be integrated into a national strategy for balancing nutrient use in agriculture. It may be necessary to include other waste nutrient sources (such as biosolids) in the evaluations and strategy. The strategy should suggest the role of changes in feeding and nutrition, redistribution of manure, changes in siting of production facilities, and overall production strategies, as well as alternative uses of organic waste products. The strategy should also evaluate the role played by current national and global food policies in promoting concentration and regional nutrient imbalances. The final strategy should propose roles for state and federal government, the private sector, farmers, and others. The strategy should also propose resources needed for implementation, as well as mechanisms for incorporating costs into production systems. Funding should be provided to land-grant universities, a USDA agency, or a private organization to develop the national strategy.

> **88. Evaluate possible alternative livestock production systems and uses of production by-products.**

[APPROPS.][ADMIN.]

State and federal policies on nutrient management are beginning to limit livestock manure applications based on available soil nitrogen and phosphorus. These changes will influence where and how producers obtain livestock production contracts. For existing producers, these changes will pose dramatic challenges. Applied research is needed to provide additional low-cost alternatives for managing nutrients.

The Congress should invest additional public funding in federal and state research on alternative animal production systems and uses of production by-products. Some effort should be made, perhaps through a USDA Contract Production Advisory Group, to identify environmental research needs for contract producers. Research should be targeted at solutions, including changes in production practices and animal nutrition to reduce waste, which will be cost-effective for producers who cannot afford capital-intensive waste management solutions.

Existing and potential alternative production systems and by-product uses should be evaluated for their economic and environmental sustainability. This includes an estimation of the quantities of by-product materials that could be used regionally or nationally. The studies should look at potential economic and environmental risks associated with the various alternatives. Any interactions or impacts of one system or alternative use upon other potential systems or uses should be evaluated. Such impacts could include evaluations of the long-term commitment of an entire region to a single production system or by-product use for which there may be concerns about economic and environmental sustainability. Funding should be provided to land-grant universities or ARS to conduct these studies.

> **89. USDA should develop a Yield Reserve Program.** [LEGIS.][APPROPS.][REGS.]

The USDA should develop a Yield Reserve Program that provides incentives and yield loss insurance to farmers who apply nitrogen and phosphorus at levels below their recommended application rates. Initially, it is recommended that nitrogen application rates of 75–80 percent of current rates for corn could be enrolled in a large-scale pilot program. This could be adjusted based on crop yields. This program could help farmers better match application to crop needs with minimal risk, and eventually without subsidy.

A Yield Reserve Program would combine beneficial aspects of BMP risk insurance and nutrient management incentive programs in ways that produce water quality benefits but do not negatively affect farmer income. This approach would pay farmers to apply fertilizers at levels below recommended rates and would provide insurance to protect farmers' costs associated with yield loss. Farmers would gain from both the incentive payment and reduced cost of fertilizer, without being exposed to additional economic risk. Payments for this program could be less than those generally provided for nutrient management incentive programs, since risk is insured. At the same time, because current recommendations have a sufficient safety margin to limit exposure of farmers to yield risk, the farmers would not generally be expected to be exposed to significant yield loss, and the cost of insuring this risk would also be low. As a result, substantial reductions in fertilizer use, and associated leaching and/or runoff, could be achieved without major risk of yield reductions. This program could be applied to large acreages of land, perhaps targeted to watershed restoration efforts.

An additional benefit of the program is that in this current time of overproduction, some planned reductions in yields could improve and stabilize markets and provide additional benefits to farmers. Reductions in fertilizer rates could potentially be increased until yield impacts (supply controls) are realized. Strategically, this program would hold in "reserve" the capacity to produce crops on productive lands, while reducing water quality impacts.

> **90. USDA and EPA should develop an agricultural nutrient reduction trading program.**

[LEGIS.][REGS.][ADMIN.]

The USDA and EPA should jointly develop an agricultural nutrient reduction trading program. Trading can potentially provide innovative means of funding agricultural practices. It may also ensure that the most cost-efficient reductions are achieved, across all source areas, in local watersheds. The concept of "trading" pollution control requirements originated over a decade ago for control of certain airborne pollutants, particularly sulfur dioxide. In that case, industries able to exceed required reductions in emissions in a cost-effective manner could "trade" (sell) control credits to nearby industries having difficulty meeting requirements. The end result was that net air quality objectives were met in a cost-efficient manner.

The pollutant-trading concept is currently being extended to nutrients. Pilot programs have been initiated in several locations around the country. The Chesapeake Bay Program has established a stakeholder task force to draft recommendations for nutrient trading programs and policies within the Bay states. The EPA has a draft policy on trading, but there are substantial differences in regional views on nutrient trading. The USDA and, to a large extent, the agricultural community have had limited involvement in trading policy discussions.

The program should have two principal components. First, it should establish policies and procedures for trades by point sources with agricultural operations. These procedures should include achievement of minimum standards for farms as prerequisites for trading eligibility, ratios for different types of trades and practices, practice eligibility and reduction efficiencies, and means for documenting trade agreements and practice implementation and maintenance. This activity should be organized nationally, but developed at the state level by USDA-NRCS, the Cooperative Extension Services, and the USDA's Farm Service Agency, in coordination with state agencies and EPA regional offices.

Second, it should include a mechanism to ensure that watershed-based nutrient reductions are accomplished in a cost-effective manner. Agricultural operations have little opportunity to recover the costs of pollution control in their commodity sales. TMDL requirements will force point-source discharges to push the limits of current technologies for nutrient reductions, without regard to costs. There is currently no system in place that allows trading of nutrient reduction credits between sources to ensure cost-effective approaches to pollution control, as well as potential funding sources for agricultural nutrient reduction.

A trading program works when certain entities within a watershed are required to meet prescribed nutrient discharge standards. Traditionally, this has been limited to point sources, but under TMDLs and watershed nutrient “caps,” it may apply to either point or nonpoint sources. An entity with a required reduction or permit level may choose to achieve it within its operation. However, it may be more cost effective to pay another local entity to achieve equal or greater nutrient reductions. Point-to-point trades are the easiest to document and can occur on a pound-for-pound basis with some margin of safety. Reduction from point to nonpoint source trades are much more difficult to document, so typically some multiplier ratio is required to assure that required reductions are met or exceeded. Trading ratios of two to four pounds of nutrient reduction from nonpoint sources for each pound required by point sources have been suggested. In some cases, there have been requirements to “retire” a part of the load, and thus remove it from the credit system.

Current “pilot” efforts occurred when nutrient load or concentration limits were included in discharge permits for certain point sources. These point sources could either meet the limits themselves or trade for nutrient reductions by others. Very few actual trades have occurred. In most cases, discharge permits have been successful in improving efficiency at facilities. Facilities have also paid into funds that can be used to implement nutrient reduction practices, principally from agriculture. A limited number of trades has occurred between point sources and only about four instances of trading between point and nonpoint sources have occurred. However, the “pilot” programs have provided the opportunity to explore various types of trading programs.

Air quality >

Substantial public interest has developed around agricultural impacts on air quality, and related health and quality of life issues. The more contentious issues have involved nuisance odor and dust (particulate matter or PM) problems. The cattle feedlot industry is under increased scrutiny and regulatory involvement at state and national levels with regard to PM (USDA Agricultural Air Quality Task Force, 2000). The Clean Air Act regulates PM₁₀ (that is, particulates up to 10 microns in size) under the National Ambient Air Quality Standards. The EPA has proposed new regulations governing PM_{2.5}, currently being litigated, which would require implementation of nonattainment plans by 2005. The current PM₁₀ standard would provide a regulatory means for a community to address fugitive dust from a large feedlot, but stringent enforcement could also threaten a local community’s economic base.

Without regulatory or market pressure, few incentives exist for feedlot owners and other landowners to modify current management practices to address local air quality problems. At the same time, the economic needs of the community, and the accompanying reliance on agricultural operations, limit the desire of community residents to actively enforce existing laws and regulations governing air quality. A mechanism is needed to help communities identify the extent of the problem and any inherent costs. Once these factors are established, a clear incentive exists for promoting voluntary action by the feedlot owner.

In an effort to balance competing interests, many communities seek voluntary solutions that can address environmental and health concerns, rather than seeking relief through legislative or judicial action. The challenge, then, is to create the mechanisms for local citizens to work together to quantify the problem, develop practical and feasible solutions, identify potential resources,

then monitor implementation to ensure that local health and environmental objectives are met. Bringing people together may be the most difficult part of this task. A shared understanding of the problem is critical, as are a spirit of cooperation and clear goals and objectives that can guide the local effort. Local communities need assistance in quantifying air quality problems and the related health effects. State and federal agencies have the expertise and funding, but may not be monitoring rural communities that are not considered nonattainment areas under the Clean Air Act.

Within the 1996 Farm Bill, the Congress expressed concern that additional research is needed to ensure that “sound science” is used as the basis for new air quality regulations affecting agriculture. The Congress directed that an Agricultural Air Quality Task Force be established to oversee and review agricultural air quality research and ensure intergovernmental cooperation on air quality research activities. The Task Force was appointed on January 31, 1997, and was reestablished in August 1998 for an additional two-year term.

RECOMMENDATIONS >

> 91. Monitor particulate matter in communities with air quality problems related to feedlot dust.

[LEGIS.][APPROPS.][ADMIN.]

As a short-term measure, communities should request that the EPA and/or the designated state environmental agency monitor PM in those communities facing significant air quality problems related to feedlot dust. Initially this could be conducted as a pilot program, but over the long run, the Congress should establish a grant program within the USDA to help communities monitor air quality problems and implement the technical assistance measures necessary to balance a community’s economic and environmental objectives.

The EPA is currently establishing monitoring systems that are designed to quantify the health affects of PM. The monitoring program is related to the agency’s announced intent to establish new PM_{2.5} standards. While Congress has provided \$80 million to the EPA to develop the instrumentation needed to implement the PM_{2.5} standard, the program does not provide the opportunity for states or communities to monitor agriculture-related air quality problems.

The USDA’s Agricultural Air Quality Task Force stressed the importance of partnerships at the local level as the most effective means for solving air quality problems. A federal grants program providing assistance to communities is the most proactive way of helping communities solve air quality problems. Establishing a monitoring site within the community would provide information to the Department regarding the extent of the problem and the most effective control measures. The USDA could then provide the technical assistance needed to address the problem through voluntary means. If problems persist, the Department could work with the EPA in exercising existing regulatory authority under the Clean Air Act. The Agricultural Air Quality Task Force recommended that the USDA’s monitoring program should evaluate the causal relationships between air quality and human health to determine the most proactive solutions for resolving local problems.

> 92. Enact recommendations of the Agricultural Air Quality Task Force. [LEGIS.][APPROPS.]

The Congress should enact the recommendations of the USDA’s Agricultural Air Quality Task Force. The Confined Livestock Air Quality Committee of the Task Force issued in July 2000 a white paper recommending expanded investment in agricultural air quality research and technology transfer (USDA Agricultural Air Quality Task Force, 2000). The Committee’s report includes a list of research needs that should direct short- and medium-term research activities, the results of which should be used to shape voluntary and regulatory efforts for addressing agricultural PM and odor problems. Specifically, the Committee recommends (1) research to refine monitoring and measuring of agricultural air quality emissions; (2) development of integrated water and air quality control programs; (3) implementation of educational programs that help producers protect air quality; (4) economic assessment of existing control technologies; and (5) increased fund-

ing for these research and education initiatives. According to the Task Force, the Congress should appropriate \$65 million for agricultural air quality issues, including \$12.8 million targeted at the air quality issues surrounding CAFOs.

> **93. Establish a national program to provide information and assistance to producers in states with air quality concerns.** [APPROPS.][ADMIN.]

The USDA's NRCS and Cooperative State Research, Education, and Extension Service (CSREES) and the EPA should establish a formal, national program to provide information, education, and technical assistance to agricultural producers in states and communities affected by air quality concerns. The Congress should adequately fund the NRCS to fully staff this new program.

Despite the need for continuing research, a great deal of scientific research exists regarding management practices that control agricultural dust and odors. Land-grant university researchers and extension personnel, along with NRCS air quality specialists, could assist local feedlot managers in identifying alternative methods for reducing dust and odor. A model for this effort is the Farm*A*Syst Program, a national voluntary program cooperatively supported by CSREES, NRCS, and EPA. Farm*A*Syst aids farmers in self-identifying practices that may be contributing to environmental or health problems on their farm, with step-by-step fact sheets and worksheets. Currently, the program focuses primarily on water quality issues, but it could be expanded to include air quality as a more prominent component, or could be replicated to provide similar assistance to farmers and ranchers for air quality problems.

The USDA's NRCS Field Office Technical Guide (FOTG) includes air quality guidance. According to the NRCS, the Guide's air quality guidance provisions are not applied in those states that are not actively enforcing agricultural air quality provisions. The USDA's Agricultural Air Quality Task Force recommends, however, the integration of air quality concerns into existing farm planning as one means of proactively addressing environmental challenges before new regulations are required.

Fully integrating water and air quality recommendations into farm planning will be ineffective without a corresponding investment in personnel resources and training. The NRCS presently retains four full-time equivalent staff to address agricultural air quality issues nationwide. Considering the expansion of the livestock industry in numerous states, four employees may be adequate, in many cases, for a single state, but inadequate for the entire nation. Expansion of the air quality technical assistance staff is critical to helping communities solve emerging air quality problems.

Policy coordination for water and air pollution >

Participants of two visioning sessions raised concerns about the lack of policy coordination in regulation of air pollution and water pollution, such as ammonia emissions that add to the nitrogen load in waterways. Participants of one of the regional sessions and several local sessions expressed concern that resources available to assist farmers in dealing with water quality issues were fractured, and that institutions needed to work together and be better coordinated. They felt incentives and mechanisms to integrate agency efforts were needed.

Not surprisingly, regions, states, and communities are finding that cleaning up the environment requires effective interagency coordination. However, the GAO has identified a number of significant barriers to working together. Missions might conflict, making consensus on strategies and priorities difficult. For example, the EPA is largely regulatory, whereas the USDA works primarily on an incentive system. This leads to a clash of cultures, whereby the EPA is constrained by the regulations the agency must oversee, and the USDA insists that voluntary efforts are sufficient to solve any problems. Conversely, the EPA Water Quality Division protects only water, whereas the EPA Air Quality Division focuses solely on air. Agencies are concerned about protecting their jurisdictions over missions and over funding and human resources. Finally, incompatible procedures, processes, data, and even computer systems often hinder interagency

coordination. For example, the lack of consistent data on federal wetlands programs implemented by different agencies prevented the government from measuring progress towards achieving the government-wide goal of no net loss of the nation's wetlands (Mineta, 1995; US GAO, 1997; US GAO, 1999; US GAO, 2000).

RECOMMENDATIONS >

> 94. Assess implementation of the Clean Water Act. [OVERSIGHT][ADMIN.]

In order to complete an assessment of EPA implementation of the Clean Water Act, and the effectiveness of USDA and EPA coordination, the Congress should request a review of activities of the U.S. Army Corps of Engineers, National Oceanic and Atmospheric Administration (NOAA), U.S. Geological Survey (USGS), and U.S. Fish and Wildlife Service, which may have impact on the ability of producers to comply with Clean Water Act provisions. The Government Performance and Results Act (GPRA) program performance reports are a good starting point, although hearings are recommended as well.

The GPRA of 1993 (P.L. 103-62, 5 U.S.C. §306) seeks to shift the focus of government performance and accountability from an accounting of activities to a focus on the results of those activities. The Act requires the President to include a federal government performance plan with his annual budget submission. This plan is intended to provide “a single cohesive picture of the annual performance goals for the fiscal year” (US GAO, 1997). Under GPRA, executive branch departments and agencies are to prepare multi-year strategic plans, annual performance plans, and annual program performance reports. The first report covering FY 1999 was due by March 31, 2000. Accordingly, GPRA can provide the Office of Management and Budget (OMB), federal agencies, and the Congress with a structured framework for addressing cross-cutting program efforts. For example, the OMB could use the government-wide performance plan to integrate expected agency-level performance. Agencies, in turn, could use the annual performance planning cycle and subsequent annual reports to focus on cross-cutting program efforts and provide evidence of coordination.

> 95. Review EPA and USDA coordination on agro-environmental problems. [APPROPS.][OVERSIGHT][ADMIN.]

An agency such as the Congressional Research Service (CRS) or GAO should conduct a review of coordination between the EPA and USDA on agro-environmental problems. To date, reviews conducted by the GAO on federal coordination in agriculture have focused mainly on: (1) food safety issues within agriculture, identifying fundamental weaknesses in the federal programs and going so far as to recommend a single food safety agency to ensure a safe food supply (Harman, 1993; US GAO, 1994b); (2) the need for new approaches to environmental protection because of both ecosystem management challenges (US GAO, 1994a) and EPA inefficiencies (US GAO, 1995); and (3) the myriad programs and initiatives that address water quality (US GAO, 1996b). However, successful responses to such reports depend on Congressional fortitude and agency responsiveness. The Congress appropriates the monies for agency budgets and should consider reallocating agency budgets to encourage greater cooperation, if analysis indicates that lack of agency coordination has negative impacts on producers.

Congress should request review by either the GAO or Congressional Research Service (CRS) of the obstacles to cooperation between the EPA and USDA in addressing environmental challenges faced by agriculture (this would include both air and water). The review should include both interagency and intra-agency issues, such as how well divisions within the EPA are communicating, how well agencies within the USDA coordinate their activities, and how to remove obstacles to coordination. The GPRA provides a convenient framework for such an inquiry. Interviews with agency personnel and stakeholders would also be informative.

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APPENDIX A >

INDEX TO VISIONING SESSIONS

Sonoma County, California

Issue Area 3: Alternative Marketing Channels

Issue Area 7: Young, Beginning, and Retiring Farmers and Ranchers

Routt County, Colorado

Issue Area 5: Economic and Rural Development

Issue Area 7: Young, Beginning, and Retiring Farmers and Ranchers

Issue Area 8: Farmland Preservation and Sprawl Management

Ada and Canyon Counties, Idaho

Issue Area 3: Alternative Marketing Channels

Issue Area 8: Farmland Preservation and Sprawl Management

Parke and Montgomery Counties, Indiana

Issue Area 3: Alternative Marketing Channels

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Issue Area 9: Water and Air Quality

Vermilion Parish, Louisiana

Issue Area 4: Research and Cooperative Extension

Issue Area 8: Farmland Preservation and Sprawl Management

Southcoastal Massachusetts

Issue Area 4: Research and Cooperative Extension

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Issue Area 7: Young, Beginning, and Retiring Farmers and Ranchers

Issue Area 8: Farmland Preservation and Sprawl Management

Grand Traverse Bay Area, Michigan

Issue Area 4: Research and Cooperative Extension

Issue Area 5: Economic and Rural Development

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Knox County, Nebraska

Issue Area 2: Market Access in the Face of Consolidation and Vertical Integration

Issue Area 3: Alternative Marketing Channels

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Issue Area 7: Young, Beginning, and Retiring Farmers and Ranchers

Buncombe, Henderson, and Madison Counties, North Carolina

Issue Area 3: Alternative Marketing Channels

Issue Area 7: Young, Beginning, and Retiring Farmers and Ranchers

Issue Area 8: Farmland Preservation and Sprawl Management

Deaf Smith County, Texas

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Chesapeake Bay Regional Session (Delaware, Maryland, Pennsylvania, Virginia, and Washington, DC)

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Issue Area 3: Alternative Marketing Channels

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Issue Area 8: Farmland Preservation and Sprawl Management

Issue Area 9: Water and Air Quality

Corn Belt Regional Session (Illinois, Indiana, Iowa, Minnesota, Nebraska)

Issue Area 2: Market Access in the Face of Consolidation and Vertical Integration

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Southwest Regional Session (Arizona, Colorado, New Mexico, Utah)

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Issue Area 6: Special Populations of Farmers and Farmers in Pockets of Poverty

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APPENDIX B >

INDEX TO RECOMMENDATIONS

Legislative Recommendations [LEGIS.]

1. Add a Small Farm Title to the 2002 Farm Bill.
2. Congress should enhance the ability of USDA to address unfair or discriminatory trade practices.
3. GIPSA should enforce the Packers and Stockyards Act.
5. DOJ should consider the effects of mergers on producers.
7. Congress should establish special oversight on mergers.
8. Congress should pass legislation to address inequities in bargaining power between producers and corporations.
20. USDA should launch a Small Farm Entrepreneurial Development Initiative.
23. Amend the Farmer-to-Consumer Direct Marketing Act of 1976.
29. Federal agencies should evaluate the impact of food safety, labor, and environmental regulations on small-scale producers, processors, and direct marketers prior to adoption of new regulations.
34. USDA should establish an Agricultural Community Revitalization and Enterprise Program.
35. Changes needed in existing research and education programs related to new market opportunities.
37. Increase the percentage of formula funds going to multi-disciplinary research.
40. Set criteria for rural development programs.
57. Establish a pilot program to integrate SBA programs with USDA programs.
59. Broaden issues covered by mediation.
60. Form a Special Commission on Rural Poverty to address causes and effects of “pockets of poverty.”
61. Strengthen the USDA Office of Outreach.
63. Amend the Downpayment Farm Ownership Loan Program.
65. Improve aggie bond programs.
66. Increase timelines in Inventory Land Sale Program.
68. Review Borrower Training Program and promote successes.
70. Improve Interest Assisted Guaranteed Loan Program for beginning farmers and ranchers and socially disadvantaged farmers.
71. Create a Beginning Farmer and Rancher Development Program.
72. Create a Beginning Farmer and Rancher Research Initiative.
76. Increase funding for and strengthen the Farmland Protection Program.
89. USDA should develop a Yield Reserve Program.
90. USDA and EPA should develop an agricultural nutrient reduction trading program.
91. Monitor particulate matter in communities with air quality problems related to feedlot dust.
92. Enact recommendations of the Agricultural Air Quality Task Force.

Report Language Recommendations [REPT. LANG.]

10. USDA should develop a formalized system for collecting information about production contracts.
80. Accelerate implementation of the National Spatial Data Infrastructure.

Oversight Recommendations [OVERSIGHT]

7. Congress should establish special oversight on mergers.
45. Examine management practices of USDA's Cooperative Extension Service programs.
94. Assess implementation of the Clean Water Act.
95. Review EPA and USDA coordination on agro-environmental problems.

Appropriations Recommendations [APPROPS.]

10. USDA should develop a formalized system for collecting information about production contracts.
20. USDA should launch a Small Farm Entrepreneurial Development Initiative.
21. The Rural Business Enterprise Grants Program should establish a set-aside to support new market development.

23. Amend the Farmer-to-Consumer Direct Marketing Act of 1976.
24. USDA should fund and provide technical assistance to urban and suburban agricultural fairs.
26. USDA-AMS and State Departments of Agriculture should develop programs for managers of farmers' markets.
27. Land-grant universities should support local marketing efforts.
28. Strengthen Farmers' Market Nutrition Program and Seniors Farmers' Market Nutrition Pilot Program.
35. Changes needed in existing research and education programs related to new market opportunities.
42. USDA's Cooperative Extension Service programs should make business development a priority.
47. USDA should provide adequate support to service small loans.
48. USDA should increase funding for the Intermediary Relending Program.
53. Target rural development funds to farmer-owned cooperatives and small businesses.
57. Establish a pilot program to integrate SBA programs with USDA programs.
58. Increase USDA funding for the State Agricultural Mediation Program and provide entry assistance to states.
60. Form a Special Commission on Rural Poverty to address causes and effects of "pockets of poverty."
61. Strengthen the USDA Office of Outreach.
71. Create a Beginning Farmer and Rancher Development Program.
72. Create a Beginning Farmer and Rancher Research Initiative.
76. Increase funding for and strengthen the Farmland Protection Program.
80. Accelerate implementation of the National Spatial Data Infrastructure.
86. Characterize the extent of the nutrient imbalance nationally.
87. Develop a national strategy for balancing nutrient use in agriculture.
88. Evaluate possible alternative livestock production systems and uses of production by-products.
89. USDA should develop a Yield Reserve Program.
91. Monitor particulate matter in communities with air quality problems related to feedlot dust.
92. Enact recommendations of the Agricultural Air Quality Task Force.
93. Establish a national program to provide information and assistance to producers in states with air quality concerns.
95. Review EPA and USDA coordination on agro-environmental problems.

Regulation Recommendations [REGS.]

3. GIPSA should enforce the Packers and Stockyards Act.
4. Increase DOJ's role in regulating agricultural sector mergers.
5. DOJ should consider the effects of mergers on producers.
16. Broaden the Rural Empowerment Zone/Enterprise Community model to include agriculture-based cooperatives.
20. USDA should launch a Small Farm Entrepreneurial Development Initiative.
36. Maximize and expand use of the new stakeholder input rules to provide real minimum standards.
37. Increase the percentage of formula funds going to multi-disciplinary research.
47. USDA should provide adequate support to service small loans.
48. USDA should increase funding for the Intermediary Relending Program.
52. Make changes in B&I regulations and program targets to prioritize small farms.
53. Target rural development funds to farmer-owned cooperatives and small businesses.
59. Broaden issues covered by mediation.
61. Strengthen the USDA Office of Outreach.
63. Amend the Downpayment Farm Ownership Loan Program.
64. Restrict "preferred lender" status to banks with adequate beginning farmer lending policies.
66. Increase timelines in Inventory Land Sale Program.
69. Spread real estate loans for land contracts over a multi-year period.
83. Develop Farm and Watershed Protection Plans.
84. Require that NPDES permits for CAFOs include management plans for land application of manure.
89. USDA should develop a Yield Reserve Program.
90. USDA and EPA should develop an agricultural nutrient reduction trading program.

Administrative Recommendations [ADMIN.]

3. GIPSA should enforce the Packers and Stockyards Act.
4. Increase DOJ's role in regulating agricultural sector mergers.
5. DOJ should consider the effects of mergers on producers.
6. USDA should collect information on mergers.
10. USDA should develop a formalized system for collecting information about production contracts.
11. Establish projects to provide information and assistance with contracts.
16. Broaden the Rural Empowerment Zone/Enterprise Community model to include agriculture-based cooperatives.
17. USDA should develop a national direct marketing publication targeted to a broad audience.
18. Increase small farmer participation in Rural Electric Cooperative Association development programs.
21. The Rural Business Enterprise Grants Program should establish a set-aside to support new market development.
22. USDA-CSREES should work with the Forest Service to promote value-added agroforestry.
24. USDA should fund and provide technical assistance to urban and suburban agricultural fairs.
25. USDA-AMS and State Departments of Agriculture should provide information on definitions of farmers' markets.
26. USDA-AMS and State Departments of Agriculture should develop programs for managers of farmers' markets.
27. Land-grant universities should support local marketing efforts.
29. Federal agencies should evaluate the impact of food safety, labor, and environmental regulations on small-scale producers, processors, and direct marketers prior to adoption of new regulations.
30. Conduct a study of the existing food safety, labor, and environmental regulatory infrastructure as it affects small-scale processing and marketing of agricultural products.
32. USDA should provide training for farmer's markets regarding food safety.
33. USDA should prepare food safety publications for farmers.
35. Changes needed in existing research and education programs related to new market opportunities.
36. Maximize and expand use of the new stakeholder input rules to provide real minimum standards.
38. Federal research programs should support and encourage diverse models of agricultural production.
41. Include small farmers and other stakeholders in USDA Rural Development strategic planning processes.
42. USDA's Cooperative Extension Service programs should make business development a priority.
43. Strategic plans should include the development of farmer-owned businesses.
44. Develop a mechanism for determining national interest in rural amenity protection.
46. Establish a National Research Initiative-sponsored study of the impact of rural development programs.
47. USDA should provide adequate support to service small loans.
48. USDA should increase funding for the Intermediary Relending Program.
49. USDA should improve access to information about credit programs.
50. Establish a national coordination committee for loan programs.
51. Add additional priorities to funding criteria for rural business development grant and loan programs.
52. Make changes in B&I regulations and program targets to prioritize small farms.
53. Target rural development funds to farmer-owned cooperatives and small businesses.
54. Create additional rural community development corporations.
55. Target more of SBA outreach to farmers and farm families.
56. USDA and SBA should fully integrate programs to assist farmers with funding value-added activities.
57. Establish a pilot program to integrate SBA programs with USDA programs.
58. Increase USDA funding for the State Agricultural Mediation Program and provide entry assistance to states.
59. Broaden issues covered by mediation.
60. Form a Special Commission on Rural Poverty to address causes and effects of "pockets of poverty."
61. Strengthen the USDA Office of Outreach.
62. USDA should pay claims tied to the Pigford class action lawsuit and proactively address concerns in other discrimination claims.

67. Implement and strengthen loan assessment and market placement provisions.
68. Review Borrower Training Program and promote successes.
73. Include farm transfer planning training and education in borrower training and other beginning farmer programs.
74. Make beginning farmers a priority in USDA research and education programs.
75. Conduct research on promoting the entry of small and beginning farmers into cooperatives.
77. USDA should partner with EPA on farmland protection efforts.
78. Allocate competitive grant funds to research on farmland conversion.
79. Give states the flexibility to allocate match FPP funds for 10-, 20-, and 30-year easements.
81. Define the development threats to farmland.
82. USDA should foster strong linkages between farmland protection and agricultural economic development.
83. Develop Farm and Watershed Protection Plans.
84. Require that NPDES permits for CAFOs include management plans for land application of manure.
85. Improve the NRCS nutrient management practice standard.
86. Characterize the extent of the nutrient imbalance nationally.
87. Develop a national strategy for balancing nutrient use in agriculture.
88. Evaluate possible alternative livestock production systems and uses of production by-products.
90. USDA and EPA should develop an agricultural nutrient reduction trading program.
91. Monitor particulate matter in communities with air quality problems related to feedlot dust.
93. Establish a national program to provide information and assistance to producers in states with air quality concerns.
94. Assess implementation of the Clean Water Act.
95. Review EPA and USDA coordination on agro-environmental problems.

State-level Recommendations [STATE]

9. State legislatures should pass legislation to strengthen the position of contract farmers.
24. USDA should fund and provide technical assistance to urban and suburban agricultural fairs.
25. USDA-AMS and State Departments of Agriculture should provide information on definitions of farmers' markets.
26. USDA-AMS and State Departments of Agriculture should develop programs for managers of farmers' markets.
27. Land-grant universities should support local marketing efforts.
33. USDA should prepare food safety publications for farmers.
79. Give states the flexibility to allocate match FPP funds for 10-, 20-, and 30-year easements.

Private Sector Recommendations [OTHER]

12. Train local attorneys on contract production.
13. Third party organizations should develop a mechanism for evaluation and analysis of contracts.
14. Develop a national outreach and coordination entity to provide educational materials on contracts.
15. Farm organizations should develop networking teams to add negotiating power for producers.
19. Develop and implement curricula and courses on cooperative marketing.
31. Increase food and processing technology research and development programs appropriate for small-farm operators, minorities, and other farmers.
36. Maximize and expand use of the new stakeholder input rules to provide real minimum standards.
39. Ensure efficacy of multi-disciplinary centers through administrative structure.

