Lecture 2: Recent Trends, Economic Forces, & Policies Affecting Small Farm Viability; Strategies & Movements to Support Small Farms

A. Recent Trends in Small Farm Economic Viability

1. Farmland conversion and demographic trends (for a history of agriculture in the US, and how it impacts small farms, please Unit 3.1, The Development of U.S. Agriculture in *Teaching Organic Farming & Gardening: Resources for Instructors*)

   Each year, the USDA National Agriculture Statistics Service (NASS) provides estimates (based on the previous Census of Agriculture data) about the number of farms, farmland acreage, and a host of other information and statistics about the nation's agricultural landscape, population, and economy

   a) Farmland conversion, small farms, and industry consolidation
      i. Farmland conversion has impacts on both farming communities and the environment; as open space and natural habitat are converted to built uses, land becomes more expensive, making it more difficult for existing and beginning farmers to access land
      ii. Land in farms continues to decrease: Between 2011 and 2012, the USDA estimated that 3 million acres of farmland were converted to non-farm uses (e.g., urban development). Between 2002 and 2007, land in farms declined by 1.7 percent from 922,095,840 to 938,279,056 acres.
      iii. Small farms (i.e., those grossing under $250,000) represent 91 percent of farms in the United States (Hoppe et al., 2010)
      iv. The number of small farms decreased by 1 percent between 2007 and 2012 (US Department of Agriculture, 2014a)
      v. The consolidation of farms and agricultural land has been a trend for some time in the U.S. See the resource section under "Farmland Conversion, Small Farms, and Industry Consolidation" for graphics depicting this consolidation, data sources regarding land consolidation, and other references on the topic.

   b) Farmer income
      i. In general, the majority of farm households obtained most of their household income off-farm. In 2011, off-farm income comprised 83% of households income (US Department of Agriculture ERS, 2013).
      ii. In 2011, average farm income for new farmers was $1,902 (and $18,119 for established farmers; U.S. Department of Agriculture ERS, 2013)
      iii. Small family farms, whose primary source of income is off-farm employment, represent 60 percent of all small farmers. Gross cash farm income (GCFI) for these farmers is less than $10,000 per year (Hoppe et al., 2010).
      iv. Among small family farmers,* those who engage in direct marketing (e.g., farmers markets, community supported agriculture) may be able to bring in high value for their products, relative to products sold through conventional market chains
      v. Intermediate/small commercial farms,* whose primary source of income is derived from gross cash farm income (GCFI), are often referred to as "agriculture of the middle"

   *See Unit 3.4, Sustainable Agriculture and Sustainable Food Systems in *Teaching Organic Farming & Gardening: Resources for Instructors,* for additional information; available online at *casfs.ucsc.edu/about/publications*

vi. Intermediate/small commercial farmers often fall between the scale of the small non-commercial farms that engage in direct marketing (as above) and larger scale farms that engage in conventional wholesale distribution and marketing chains. Due to this, and the fact that these farms (by classification) do not rely primarily on off-farm income, they may be at greatest risk in terms of economic viability.

vii. Initiatives to support "agriculture of the middle" are growing throughout the United States, and include university-based and non-profit groups

viii. For more information on small farm incomes and "ag of the middle" see the Resources section under "Farmer Income"

B. Economic Forces and Policies Impacting Small Farm Economic Viability

Broad economic forces impacting the U.S. agricultural sector have specific effects on the economic viability of small farms and "socially disadvantaged" farmers (see Glossary). Likewise, policies governing U.S. agriculture and immigration may favor large over small farms.

1. Economic Forces (see Glossary for definition of terms)
   a) Market conditions create an economic environment in which farmers must constantly adapt by finding new market niches or increasing the scale of production to remain economically viable
   b) Non-valuation of non-economic goods: Traditional economic models either ignore costs and benefits such as environmental and social goods (e.g., clean water or local jobs for community members), or classify them as externalities. This gives the impression that small farms are always less economically efficient than larger farms, even as they bring the benefits listed above. The valuation of "ecosystems services" is a way of attempting to quantify the benefits provided by the environment. Some innovative farm programs attempt to compensate farmers for providing ecosystems services in addition to food.
   c) Consumers are accustomed to cheap food and may not recognize, or be willing to pay for qualitative differences in agricultural products, including both social and environmental externalized costs of production
   d) Larger, well-capitalized farms adopting high technology production practices, along with vertically integrated agricultural firms, are able to capture the consumer market. They have lower per-unit costs of production and marketing costs, as well as the ability to provide consumers with convenience and consistency at a price below what is economically feasible for small-scale producers.
   e) Small farms are less able to compete in conventional wholesale markets, due to constraints on liquid cash flow, as well as time constraints
   f) Many consumers struggle to meet their basic needs, so paying extra for qualitative differences in products, or simply to support the small farm sector, is not an option

      Note that some innovative new programs have allowed low-income consumers to use state-provided nutrition assistance funds at farmers markets and sometimes even for CSA boxes. In some areas city agencies and/or non-profit organizations match the public assistance dollars so people can buy two dollars worth of farmers market produce with one dollar of benefits.
2. Policies and government agency practices
   a) **The Farm Bill** is the federal legislation that sets priorities and funding for agriculture and related environmental and emergency food programs in the United States. The Farm Bill is revised and then enacted by Congress every five to seven years.
      i. The Farm Bill legislates and allocates funding in the following areas (called "titles"): Commodity, conservation, trade, nutrition, agricultural credit, rural development, agricultural research, forestry, energy, horticulture and specialty crops, crop insurance, livestock, and miscellaneous (a catch-all which includes programs for specific groups mentioned above such as socially disadvantaged farmers)

ii. Under the "nutrition" title, the Farm Bill also authorizes funding for the Supplemental Nutrition Assistance Program (SNAP, formerly known as Food Stamps), Special Supplemental Nutrition Program for Women, Infants, and Children, (WIC), Farmers Market Nutrition Programs (FNMP), other emergency food and community food security granting programs. These national programs, along with foreign nutrition aid, traditionally receive the bulk of the budgetary allocations in the Farm Bill.

iii. To learn more about the Farm Bill, see the Resources section under "Farm Bill." Note that numerous advocacy organizations provide information on the Farm Bill. Educators are advised to review these carefully, as they may portray a specific stance on this highly controversial piece of legislation.

b) USDA grants and consumer assistance programs

i. Depending on available funding (which is voted by legislative bodies every five to seven years for the Farm Bill, as well as annually for select programs), **competitive grant programs** make funds available for research, education, and new enterprise development for specific groups of farmers.

ii. Again contingent on federal and/or state funding, programs such as **Farmers' Market Nutrition Programs** (including those for seniors and Women, Infants, and Children – WIC) provide small amounts of additional food assistance to recipients to be able to purchase food at farmers' markets

iii. Recipients of the federal **Supplemental Nutrition Assistance Program (SNAP)** may also use these funds at participating farmers' markets and CSAs, and increasing number of these are also able to accept these funds through **Electronic Benefits Transfer (EBT)** cards

c) USDA discrimination against specific groups of farmers

i. Since the late 1990s there have been numerous class action lawsuits filed against the USDA on behalf of African American and Black farmers, Native American, female, and Latino farmers. These suits have claimed that USDA agencies (particularly the Farm Service Agency) discriminated against specific groups of farmers based on their race or gender in granting agricultural loans and access to related agency programs:

ii. Pigford lawsuit

- In 1997 a class action lawsuit (Pigford v. Glickman) was filed on behalf of African American farmers claiming that the United States Department of Agriculture (particularly the Farm Service Agency) had discriminated against African American farmers in its granting of agricultural loans. (The allegations pertained to the period between 1981 and 1996, though advocacy organizations also claim that USDA agencies have a history of race-based discrimination.)
- The case was settled in 1999, but due to the process through which individual claimants (i.e., farmers who met the criteria for payment) were to file claims, a large number of farmers did not meet the filing deadlines set in 1999 and 2000 and thus did not receive payment
- Provisions were made in the 2008 Farm Bill for eligible claimants who did not meet the 1999/2000 deadline to proceed with the claims process. This is known as Pigford II.

iii. Several other lawsuits were filed on behalf of Native American, Hispanic, and women farmers. Some were settled in favor of the claimants (Keepseagle) and some were not (Love lawsuit). However, they both provided a process through which individual farmers could submit claims. For more information on these and other lawsuits see the resources section under "USDA Discrimination Lawsuits".

d) Government and non-government initiatives responding to discrimination

The cases cited above notwithstanding, a number of government agencies and non-profit organizations provide technical assistance, outreach, education, and/or advocacy for specific groups of socially disadvantaged farmers in the United States. See the Resources section for a list of these organizations.

e) Immigration and Farm Labor policy

i. Immigration policy significantly impacts the agricultural sector because of the large percentage of farmworkers who are foreign-born

- A recent report from the USDA Economic Research Service (based on data from the National Agricultural Workers Survey) found that over 40 percent of all hired farm workers were foreign-born, with 37.3 percent originating from Mexico. Of Mexican immigrant hired farm workers, 90 percent were non-citizens. (Kandel 2008). For more information about farmworker issues, please see the Resources section.

ii. Currently, agricultural employers are able to bring in temporary "non immigrant foreign workers" under H-2A visas, although the program remains controversial and changes are being debated in Congress as of this writing

- H-2A visas currently allow employers to hire temporary foreign-born workers for up to one year with possible extensions for up to three years. To hire these workers, employers must demonstrate that they lack a sufficient and timely supply of locally available qualified U.S. workers, and that using foreign workers would not adversely affect wages and working conditions of comparably employed U.S. workers (Kandel, 2008).

iii. Changes in immigration policy could impact both small and large farms by restricting the number of immigrating workers available for hire; requiring increased wages paid to farmworkers; and/or increasing the number of farmworkers who immigrate to the U.S. illegally

iv. Many small-scale farmers, similar to farms of larger scale, often rely on temporary or seasonal farm workers as a way to remain economically viable

v. State level labor policy also has impacts on the small-scale farms. For instance, apprenticeships have often been a method for small-scale growers to have seasonal labor and help train the next generation of farmers. However, in some states, such as California, there are strict laws defining what constitutes an apprentice. Apprenticeship arrangements in place on some small-scale farms may not meet the law's requirements (see Unit 8.0, Farm Employees and Alternative Models for Interns and Apprentices for more information).

vi. A number of small farm advocacy groups have recently created social justice certification standards for farms following specifically defined fair labor, pricing, and business practices. For more information see the Agricultural Justice Project website (in Resource section).

vii. For more information on the impacts of immigration policy on the agricultural sector see the Resources section under "Immigration and Farm Labor Policy"

C. Strategies and Movements to Support Small Farms

Given the structure of the U.S. agricultural economy, and the challenges posed by this system to small, family farms, groups ranging from Cooperative Extension programs to grassroots coalitions have developed strategies to help support small farms. These include a diversity of marketing strategies, policy advocacy, land preservation, education, and social movement organizing.

1. Marketing and income diversification strategies

a) Niche markets

i. One way that small farmers have been able to realize economic returns in the face of increasing control of the market by larger farms and firms is by providing products that larger farms cannot or do not provide. Examples are specialty products (e.g., value-added, early-season crops), services (such as U-pick operations), or certain production methods (e.g., certified organic, free-range animal products).

ii. Some niche markets may eventually cease to be viable economic options for small-scale producers, such as when increased demand for specialty products reaches an economic threshold, making it profitable for larger-scale producers (e.g., the development and concentration of the wholesale organic food industry). Niche markets become subject to the same economic trends that lead to the control of the market by large firms and a decline in the economic viability of small-scale producers.

b) Direct marketing

Direct marketing is one way for small farmers to capture a larger share of the price for their products, as it reduces the number of sellers in the supply chain. Popular direct marketing strategies covered in this manual include Community Supported Agriculture (Unit 3.0), farmers' markets and roadside stands (Unit 4.1.), and direct sales to restaurants (Unit 4.2). Unit 4.3 highlights other types of direct and intermediate marketing options, such as selling to institutions and food hubs, faith-based options, eCommerce strategies, and agritourism.

c) Diversification of on-farm enterprises/activities

i. Rather than relying on one or a few crops or types of livestock to provide sole income, small farms may choose to diversify their production activities

- **Enterprise diversification** provides income at more points throughout the year, rather than relying on one harvest (or one type of livestock) to provide all income
- **Product diversification** reduces whole farm risk. Diverse cropping strategies reduce likelihood of disease or pest outbreaks and help to assure some marketable product. This is especially important when crop insurance is not available.
- **Value-added products,** including processing, repackaging, or otherwise creating "special" or "unique" products are a way to add value that has the potential to increase profits. Examples are jam/preserves, dried fruits, cheeses, floral wreaths, etc. (But be aware that the tax law is very different for most of these activities and you may need to include substantial additional bookkeeping and accounting fees to your budget in order to become a "food manufacturer" as well as a farmer.)
- **Services** may also provide diversified incomes on the farm. Examples are agricultural tourism and U-pick operations (see Unit 4.3).

d) Diversification of income

i. Most small and beginning farms rely on off-farm income to complement farm/product income and in some cases to provide benefits such as health insurance. Increasingly even families operating larger farms rely on some off-farm income.

2. Policy strategies

As noted above, the federal Farm Bill governs agricultural policy nation-wide, and state departments of agriculture have additional jurisdiction over farms in each state. To this end, farm policy advocacy groups attempt to influence legislative decisions impacting the agricultural sector.

a) **Farm association advocacy**. Large-scale agricultural associations (e.g., the American Farm Bureau Federation, the National Farmers Union, and various crop-specific organizations) exert significant influence with regard to agricultural policymaking. There are also farmer coalitions that advocate for policies that are more favorable for smaller-scale and/or "minority" owned farms. These include the National Sustainable Agriculture Coalition, the National Family Farm Coalition, and the Federation of Southern Cooperatives, and the Rural Coalition.

b) **Consumer/non-farmer advocacy**. Coupled with social movements (see below), consumer/non-farmer advocacy groups have paid increasing attention to policies affecting agriculture and the food system in recent years. Examples include Farm Bill advocacy (often referred to by advocacy groups as the "farm and food bill") and initiatives to label genetically engineered/genetically-modified foods in numerous states.

3. Land preservation and transition strategies
   a) **Land trusts and agricultural easements** help preserve land from development in rural and urban spaces, in some cases keeping land accessible and more affordable for small-scale farmers
   b) **Farm transition and "farmlink" organizations** offer programs to help beginning or immigrant farmers gain access to farmland and mentorship. Programs exist throughout the United States and internationally. An index can be found at *http://www.farmtransition.org/*.
4. Education strategies
   a) **Consumer education** efforts have grown since the 1970s. These have emphasized the importance of non-farmer support for small-scale and family farmers in maintaining an economically viable small farm economy. Examples include Buy Fresh, Buy Local campaigns and marketing locally grown foods at retail outlets and in restaurants.
   b) **Agricultural education programs** have been created to help small-scale farmers hone economic skills needed to operate financially viable operations in rural and urban areas. Some of these programs are based in universities or are part of Cooperative Extension, while others are run by non-profit organizations. Examples include the UC Small Farm Program; Cornell University's Small Farms Program; CASFS Farm Apprenticeship in Ecological Horticulture at UC Santa Cruz; Farm School NYC; and Growing Power in Milwaukee and Chicago.
   c) **Immigrant farm education and assistance programs** have been created specifically to help new immigrants (many of whom have agricultural backgrounds) establish commercial farming operations in the U.S. context. Examples include Agriculture and Land-Based Training Association (ALBA), the New Farmer Development Project, and the National Immigrant Farming Initiative.
5. Agriculture and Food System Social Movements

   Social and political movements focused on agricultural and food systems have coalesced since the late 20th Century. Many of these attend to issues impacting small farm economic viability.**
   a) The **mainstream alternative agriculture movement** grew in the 1960s and 1970s out of concern for the environment
      i. During this time, some urban residents moved out of the city and began farming in the "back to the land" movement
      ii. At points, the alternative agriculture movement intersected with farm labor movement (especially that led by Cesar Chavez, Dolores Huerta, and United Farm Workers)

iii. Since the 1980s, the alternative agriculture movement (and outgrowths, including the organic, sustainable agriculture, and local foods movements) has tended to focus more on environmental aspects and support for small farmers (e.g., farm owners), and less on social and labor issues

b) New food movements began to arise in the 1990s, focusing on a number of broad issues including community food security, food justice/food sovereignty, and renewed interest (among non-farmers) in farmworker rights

c) There is an increasing tendency for food movement groups to collaborate on food system reform, rather than focusing on singular issues or constituencies

**See Unit 3.4, Sustainable Agriculture and Sustainable Food Systems in *Teaching Organic Farming & Gardening: Resources for Instructors,* for additional information; available online at *casfs.ucsc.edu/about/publications*

Resources & References

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