USDA

United States
Department of
Agriculture

USDA
Advisory
Committee on
Small Farms

Small Farms
Coordination

Building On
A Time to Act

A Report by the USDA Advisory Committee on Small Farms

Small Farms@USDA
www.usda.gov/oce/smallfarm/

Building On *A Time to Act*

An Advisory Document to the Secretary of Agriculture, Ann M. Veneman, from the USDA Advisory Committee on Small Farms

Miscellaneous Publication No. 286 (MP 286)

Issued February 2003

Contents

Letter of Transmittal

Jesse Harness, Chair
Mississippi

Marjorie "Sue" Jarrett, Co-Chair
Colorado

Neil Dwight Hamilton, Co-Chair
Iowa

Dayle LaRue Aldridge
Oklahoma

Jon Walter Anderson
Vermont

Karen S. Armstrong-Cummings
Kentucky

Suzanne L. Bertrand
Arkansas

Marion Long Bowlan
Pennsylvania

Don R. Crittenden
Oklahoma

Harold Eugene (Gene) Garrett
Missouri

Luz Bazan-Gutierrez
Washington

Archie Lloyd Hart
North Carolina

Golden J. Hardy
Texas

Edgar J. Hicks
Nebraska

Calvin R. King, Sr.
Arkansas

George Lawrence Siemon
Wisconsin

Ranvir Singh
California

Thomas (Tom) Joseph Trantham, Jr.
South Carolina

November 2001

The Honorable Ann M. Veneman
Secretary
U.S. Department of Agriculture
Jamie L. Whitten Federal Building, Room 200A
1400 Independence Avenue, SW
Washington, D.C. 20250

Dear Secretary Veneman:

The USDA Advisory Committee on Small Farms is pleased to submit to you our report—"Building On A Time to Act." This report is the product of 18 months of review and discussion of pending and existing USDA programs and policies, as well as testimony, both oral and written, given by small farmers and small farm organizations, at public hearings. Much of the committee's efforts were focused on strategies for implementing sections of the National Commission on Small Farms report, "A Time to Act," as well as priorities abstracted from written testimonies and public hearings.

Agricultural programs and policies are not size neutral. Although current USDA programs and policies are designed for one-size-fits-all, they are slanted towards larger farm and agricultural operations. This report is directed towards leveling the playing field in an effort to make "The People's Department" more responsive to America's small farms, ranches, and woodlot owners who comprise 93 percent of the total number of farms, ranches, and woodlot owners (2 million) in the United States.

USDA programs and opportunities must be empowering. Implementing the Advisory Committee's recommendations will allow small farmers to rise above current circumstances and move toward a direction that will provide them the social and economic security that is critical in the development of healthy rural communities and sustainable small family farms.

Members of the Advisory Committee express their appreciation for the cooperation and support received from you and all of the administrative staff persons in the U.S. Department of Agriculture. We are especially pleased to acknowledge the important progress that has been made at USDA and the foundation that has been set in place within the Department to more directly address the issues most important to small family farms.

The continuation of the Small Farm Council, under the leadership of the Deputy Secretary, and the network of small farm coordinators that exist within each mission area and agency in the Department represent significant milestones. Special appreciation is extended to the small farm coordinators, under the leadership of the Director of USDA Small Farms Coordination, who worked closely with the Committee over the past 2 years on a day-to-day basis providing data and other information required to make informed decisions. The work of these individuals is essential to the future viability of American family farms.

The USDA Advisory Committee on Small Farms expresses its appreciation for your leadership in embracing the small farm agenda, and we look forward to working with you and the small farm community in developing programs and policies that will bring economic vibrancy to rural communities and improved quality of life for our Nation's small family farms and farm workers.

Respectfully signed and submitted by:

Jesse Harness, Chair, Mississippi	Dayle LaRue Aldridge Oklahoma
Neil Dwight Hamilton, Co-Chair Iowa	Jon Walter Anderson Vermont
Marjorie "Sue" Jarrett, Co-Chair Colorado	Karen S. Armstrong-Cummings Kentucky
Luz Bazan-Gutierrez, Washington	Archie Lloyd Hart North Carolina
Suzanne L. Bertrand Arkansas	Edgar J. Hicks Nebraska

Marion Long Bowlan
Pennsylvania

Calvin R. King, Sr.
Arkansas

/S/

Don R. Crittenden
Oklahoma

George Lawrence Siemon
Wisconsin

Harold Eugene (Gene) Garrett,
Missouri

Ranvir Singh
California

Golden J. Hardy
Texas

Thomas J. Trantham, Jr.
South Carolina

Executive Summary

When the National Commission on Small Farms issued its final report, *A Time to Act*, in 1999, it identified 8 policy goals and 146 specific recommendations for changes in the programs and practices of the U.S. Department of Agriculture (USDA). The Advisory Committee on Small Farms (the Committee) was established in November 1999 to continue the work of that Commission, namely, to assist USDA in developing national policies, practices, and programs to address the needs of small farms and ranches, and in implementing the recommendations of the National Commission.

The Committee's 18 members met in January, April, August 2000, and April 2001. In December 2000, they sent the new Secretary of Agriculture, Ann M. Veneman, a letter that identified six areas as priorities for action by USDA:

1. Conservation and environmental enhancement;
2. Lending and income supplements;
3. Marketing and labeling;
4. Working conditions for farmers and farm workers;
5. Training and assistance for beginning and returning farmers; and
6. Policies to support and assist small farmers.

In December 2000, the Committee also submitted a letter to the USDA Under Secretary for Research, Education and Economics, listing 11 priority items related to small farms for the FY 2002 budget. In May 2001, the Committee met with Dale Moore, Secretary of Agriculture Ann M. Veneman's Chief of Staff, and submitted 13 recommendations for inclusion in the 2002 Farm Bill.

This report, in 16 chapters written by the members of the Committee, identifies specific challenges in each of these priority areas and proposes specific actions and programs to address them. In addition, the Committee identified several overriding principles that must guide any USDA response to these priorities:

- USDA, as the "People's Department," needs to be more responsive to America's small farms, ranches, and woodlot owners who comprise 93 percent of the total number (2 million) of farms, ranches, and woodlot owners in the United States.

- Programs and opportunities must be empowering, providing small farmers with the opportunity to rise above their current circumstances and to achieve the social and economic security they deserve.

- Efforts need to be made to level the playing field and to be fair to everybody.

- Issues that are critical to quality of life in rural communities and economies, and to the sustainability of the small family farm, should be in the forefront of public policy.

- The future survival of independent family farms is dependent on farmers receiving a fair price for their products.

1. Conservation and Environmental Enhancement

USDA should evaluate, develop, and implement a comprehensive Federal program specifically for the small family farm that encourages the adoption and application of agroforestry and/or forestry for environmental conservation and wood production, while providing a financial safety net for small family farmers.

- USDA should change the emphasis of incentive-based conservation programs to place less emphasis on land retirement and greater emphasis on land treatments that benefit conservation and the environment.

- USDA should increase funding for conservation programs generally, and especially for those that target the needs of small farms.

- USDA should develop new stewardship-oriented practices through programs such as Sustainable Agriculture Research and Education and the Fund for Rural America.

- Increase funding for hiring qualified personnel trained in new, environmentally friendly technologies.

2. Lending and Income Supplements

- USDA should continue direct and guaranteed lending to small farmers, ranchers, woodlot owners and to limited-resource farmers.

- USDA should request that Congress appropriate the maximum authorized funding for farm ownership direct loans and farm operating direct loans, of which 20 percent will go to small and limited-resource programs.

- USDA should introduce legislation requiring that at least 15 percent of Farm Service Agency (FSA) loans go to low-equity beginning farmers. In addition, USDA should prepare an annual report on the diversity of FSA county committees and encourage the development of local strategies to combat discrimination.

- USDA should put in place a direct and guaranteed loan process that will approve or disapprove applications in 30 days or less.

- USDA should enact an income "safety net" for small farms at 185 percent of the poverty level.

- The Administration should assist small farmers who grow tobacco, and the communities that are dependent on this crop, by enacting the recommendations of the Presidential Tobacco Commission, such as regulating tobacco, increasing cigarette taxes, replacing the current quota system, and creating a Center for Tobacco-Dependent Communities.

3. Marketing and Labeling

- USDA should strengthen programs and increase the accessibility of funding that encourages value-added businesses and agricultural cooperatives that benefit small farms, such as the Federal-State Marketing Improvement Program.

- USDA should empower organic farmers through equitable treatment, improved information, and improved labeling.

- USDA should create programs to strengthen and encourage small farm entrepreneurship.

- To ensure a "new competitiveness," USDA and Congress should ensure the enforcement of antitrust regulations in agriculture, fair competition in the livestock sector, fairness in contracting, and fair access for small farmers to Federal grants, loans, and procurement programs.

- USDA should provide supplemental income support for specialty crops, as well as commodities. Similarly, USDA should provide emergency assistance to specialty crop producers who are injured by imports.

- USDA should provide gross revenue insurance to protect farmers against international market conditions and price fluctuations, with 75 percent coverage for small farms and 50 percent coverage for larger operations.

- USDA should educate consumers on the role of small specialty producers and the relationship between retail prices and the prices that small producers actually receive.

- USDA should encourage point-of-origin labeling to differentiate local products, so long as the labeling is not anticompetitive and does not harm the public interest.

- USDA should increase the number of farmers markets at Federal sites, expand the Women, Infants, and Children (WIC) Farmers Market Nutrition Program to areas where it has not been available, and increase farmers market participation in the Food Stamp Program.
- USDA should encourage programs that provide small farms with opportunities to provide fresh products for school lunch programs and Federal agency cafeterias, including national parks.
- USDA should assess the new Community Food Projects program and publicize the best projects as models for other communities.
- Congress should enact the National Dairy Farmers Fairness Act of 2001 (Senate Bill 294), providing price supports and income stability for small dairy farms.
- USDA should include farm workers in all disaster support loan programs.
- USDA should create a national Farm Workers Registry.
- USDA should provide health insurance for farm workers and owners.
- USDA should ensure that farm workers are provided with safe and humane housing, and should provide financial assistance to small farms for necessary improvements to the employment and living conditions for farm workers.
- USDA should change the way it inspects and evaluates humane working conditions so as to maximize the number of workers protected, rather than the number of farms inspected, and level fines for violations that are proportionate to the level of farm assets.

4. Working Conditions for Farmers and Farm Workers

- The Administration should establish a White House Task Force on Farm Workers, with USDA as the lead agency.
- The Secretary of Agriculture should appoint a Farm Worker Coordinator as the USDA-wide point person for coordination and outreach.
- USDA should set up regional offices in targeted communities with large numbers of farm workers.
- USDA should develop and implement bilingual education programs for farmers and farm workers on health, safety, and housing issues.
- USDA should compile an inventory of State pesticide policies.
- USDA should develop flexible financial structures within rural areas to serve the needs of farm workers, including the opportunity for farm workers to become small farm owners.

5. Training and Assistance for Beginning and Returning Farmers

- USDA should change the eligibility requirements for beginning farmers, clarifying the documentation necessary and providing greater flexibility in determining eligibility.
- USDA should establish a revolving loan program for beginning farmers and seek authorization to issue agricultural bonds to finance loans to beginning farmers.
- USDA should target Farm Credit System loans to beginning farmers.
- USDA should establish a Beginning Farmer Development Program to provide training and technical assistance to beginning farmers. To provide funding for this program, the Committee recommends that Congress increase the appropriation for the Small Farm Outreach Training and Technical Assistance Program to the current authorized level.

- USDA should continue research on how the U.S. tax code impacts new farm entry and farm transfer. This information should be disseminated to the Small Farms Advisory Committee, the Secretary of Agriculture, and members of Congress so that tax law changes can be recommended. Particular attention should focus on how income tax incentives could be used to encourage new farmer entry.

- USDA should establish an interagency Beginning Farmer Initiative and develop programs and networks to support beginning farmers, including outreach coordinating councils at the Federal, State, and county levels.

- USDA should develop special programs, with dedicated funding, to provide for re-entry of favorably adjudicated African-American farmers.

- USDA should provide fair and equitable treatment to all farmers and demand full accountability from its agencies for serving all farmers, including favorably adjudicated African-American farmers. If FSA and the USDA Office of Civil Rights cannot or will not carry out these responsibilities, they should be reorganized entirely.

- USDA should analyze National Agricultural Statistics Service (NASS) data to differentiate between African-American farmers and other minorities.

6. Policies To Support and Assist Small Farmers

- USDA should be the people's department, focusing its efforts on services for the people who produce and consume food, not on commodities or products.

- USDA should focus its programs on services to farmers, ranchers, and farm workers by working to enhance the quality of life for all individuals involved in food production.

- USDA should make small farms an agency-wide priority.

- USDA should enforce fair, competitive and open markets for small farms and ranches.

- USDA should renew its commitment to cooperatives as a vital component of both agricultural and rural policy.

- USDA should reach out to traditional and nontraditional agricultural support organizations.

- USDA should actively work to educate consumers on the vital contributions of farmers, ranchers, and farm workers.

- USDA should work with the Environmental Protection Agency (EPA) to coordinate programs in environmental protection and worker safety.

- USDA should work with Congress and the Department of the Treasury to change tax laws that affect small farms, ranches, and cooperatives.

- USDA should include small farm operators and farm workers in its planning activities.

- USDA should fully fund and staff its Office of Outreach.

- USDA should institute other organizational changes that will be needed to support and pursue these policies and programs, including the appointment of Small Farm Coordinators in all USDA agencies and the creation of a National Small Farm Center to conduct research, education, and extension to meet the needs of small farmers and beginning farmers.

Preface: USDA Small Farms Program

In February 1997, the U.S. Department of Agriculture (USDA) released a report by its internal Civil Rights Action Team (CRAT). That report, prepared in response to published reports and listening sessions conducted in the winter of 1996, recommended that USDA change its management and program delivery practices to address a history of bias and discrimination against minorities and small farmers.

The report also recommended that the Secretary of Agriculture appoint a diverse commission to develop a national policy on small farms. In response to this recommendation, the Secretary of Agriculture appointed a 30-member National Commission on Small Farms and asked the Commission to examine the status of small farms in America and determine a course of action for USDA to recognize, respect, and respond to their needs.

The National Commission on Small Farms held its first meeting in July 1997 and, in January 1998, submitted to the Secretary of Agriculture its report, *A Time to Act*. The report included 8 policy goals and 146 specific recommendations for changes in USDA policies, practices, and programs to respond to the needs of small farms.

In 1998, USDA announced the creation of a Small Farms Action Team (later renamed the Council on Small Farms) to implement and institutionalize the Commission's recommendations through existing and, if necessary, new programs. In October 1998, a new Office of Sustainable Development and Small Farms was created to report to the Secretary of Agriculture and deal specifically with small farms issues. In December 1999, this office was moved to the Research, Education, and Economics mission area.

When the charter of the original Commission on Small Farms expired in July 1999, a new Advisory Committee on Small Farms was established to help USDA maintain its focus and momentum in implementing the original Commission's recommendations. The 18-member Advisory Committee on Small Farms held its first meeting in January 2000 and additional meetings in April and August 2000 and April 2001.

In September 2000, the Committee submitted a letter to the previous Under Secretary for Research, Education, and Economics, listing 11 priority items related to small farms for the FY 2002 budget. Following the third meeting, the Committee submitted to Secretary-designate Ann M. Veneman a letter (its first report) that identified six areas as priorities for action by USDA. The document, *Building On A Time to Act*, represents an elaboration on those priorities and recommendations.

Introduction

True democracy in the food production, distribution, and consumption sectors responds best to the complex values of society. These demands include a proper balance of social, ethical, and market values. A decentralized food and fiber production system is the best structure available to achieve those values.

This document presents the recommendations of the Advisory Committee on Small Farms. In separate chapters written by members of the Committee, it identifies the issues and recommends actions in the following areas:

- Conservation and environmental enhancement;
- Lending and income supplements;
- Marketing and labeling;
- Working conditions for farmers and farm workers;
- Training and assistance for beginning and returning farmers; and
- Policies to support and assist small farmers.

In each case the author was asked to describe the issue or problem, to propose a specific action or strategy for addressing it (including rationale and expected results), and to specify how the proposed actions will be implemented and evaluated.

In setting out its vision for the food and fiber production system, the Committee has adopted the following guiding principles, which were not allowed to be compromised in writing this advisory document:

- USDA, as the "People's Department," needs to be more responsive to the small farms, ranches, and woodlot owners in the United States who represent 93 percent of the total number of farms, ranches, and woodlot owners in America. This segment of the agricultural population owns and/or works on America's small farms and ranches and was described by the National Commission on Small Farms in its report, *A Time to Act*.

- Programs and opportunities must be empowering. Everyone deserves the opportunity to rise above current circumstances and move toward a direction that will provide them with the social and economic security they deserve to raise families in healthy communities.

- Efforts need to be made to level the playing field and to be fair to everyone.

- Issues that are critical to the quality of life in rural communities, the rural economies and the sustainability of the small family farm should be in the forefront of public policy.

- The future survival of independent family farms is dependent on farmers receiving a fair price for their product.

Subcommittee on Small Farms Sustainability

- Thomas J.Trantham, Chair
- Jon W. Anderson
- Harold Eugene “Gene” Garrett
- Archie Hart
- Sue Jarrett
- Marion Long Bowlan
- George L. Siemon
- Ranvir Singh

Agroforestry for Small Farms

Subcommittee on Small Farms Sustainability
Major Contributor: Harold Eugene "Gene" Garrett,
Professor and Director, Center for Agroforestry,
University of Missouri

The Issue

Small family farms are being forced to compete in an environment that does not afford the same opportunities available to corporate farms in conventional agricultural markets. However, this segment of the farm population controls millions of acres of underutilized land that, if managed differently, could benefit the small family farm operator and society alike. In particular, agroforestry (defined as "land-use management that optimizes the benefits from interactions created when trees and/or shrubs are deliberately combined with crops and/or livestock") and conventional forestry have the potential to provide numerous environmental and conservation benefits while yielding reasonable short- and long-term financial gains to the small family farm operator.

For the small family farm operator, agroforestry/forestry can moderate microclimates and reduce both wind erosion and direct damage to crops and livestock, thereby increasing yields while potentially providing additional farm income from trees and new crops (e.g., specialty crops). The benefits to society include the reduction of erosion, enhancing nutrient absorption and cycling, intercepting waterborne chemical pollutants, sequestering CO_2, reducing flooding, enhancing wildlife, and helping our Nation meet its future domestic and export wood demands.

Projections made in recent years by the USDA Forest Service suggest a 38-percent increase in domestic wood needs by the year 2050. This comes at a time when harvest on Federal and State lands is being reduced due to public pressure. With projected increases in domestic wood demands and the availability of vast acreages of "under-used" land on small family farms, the adoption of agroforestry and wood biomass plantations, and placing existing farm woodlots under management, would go a long way toward satisfying a national need while providing reasonable income for the small farm operator. Broader social benefits would include decreased reliance on imported wood products, cleaner water, more productive estuaries, and lower CO_2 levels.

Proposed Action

USDA should evaluate, develop, and implement a comprehensive Federal program specifically for the small family farm that encourages the adoption and application of agroforestry and/or forestry for environmental/conservation and wood production benefits, while providing a financial "safety net" for small family farm operators. (This relates to Recommendations 1.32f, 3.20, 6.14, and 6.15 found in *A Time to Act*.)

The program will target small family farms with less than $250,000 gross receipts. Eligible practices would include the following:

- Single or multiple rows of trees, alone or combined with other plants (e.g., grass and other ground covers), located at intervals within fields or around fields and along streams and rivers, specifically designed to provide environmental enhancement benefits (e.g., reducing erosion; filtering sediment, nutrients, or pesticides before entering streams; regulating flooding; controlling odors; etc.) will be eligible.

- A proposed agroforestry management program must meet Federal conservation compliance requirements, if applicable to the field(s) under consideration.

- Financial assistance to share the cost (75 percent) of establishing trees to be used in an agroforestry or forest management program.

- Annual agroforestry “environmental enhancement” incentive payments for 15 years. Payment level will be established based upon the conservation and environmental benefits of the proposed program but will be sufficiently high to serve as an inducement for small family farm owners to commit to the program. Where an agroforestry design is adopted (e.g., tree rows at wide spacing creating alley ways, tree rows around fields or along streams, etc.), the landowner will be permitted to use land for agricultural purposes with the exception that the land cannot be used for annual crops requiring tilling and planting.

OR

- If a landowner wishes to establish a continuous forest planting he/she can opt for a 25-year forest restoration easement. The landowner will be paid 75 percent of appraised value for land in row crops or pasture to place property in a 25-year easement to create environmental benefits and produce forest products (energy, paper, dimensional lumber, etc.). Payments will be spread over the life of the easement. During the easement period, the landowner will have limited use of the property for haying and timber harvest. Fee hunting is permitted. The landowner retains control of access during the easement agreement period. At the end of 25 years, the easement is void and the landowner again has full use of the property.

- Bidding process (to be developed by USDA).

- Annual inspections by a technical representative (i.e., USDA, State conservation department) to evaluate effectiveness of the program.

This program would have the target of enrolling 1 million acres per year, or a total of 10 million acres over the life of the program. The goals of the program are related to, and its provisions might be attached to, the Conservation Reserve Program (to distinguish it from the old CRP, label it “Agroforestry/Forestry CRP”), the proposed USDA Conservation Security Program (CSP), and the Harkin Conservation Bill.

Action Required

Legislation—incorporation into a Small Farm Title in 2002 Farm Bill.

Small Farm Environmental and Conservation Incentives

Subcommittee on Small Farms Sustainability
Major Contributor: Harold Eugene "Gene" Garrett,
Professor and Director, Center for Agroforestry,
University of Missouri

The Issue

USDA's incentive-based conservation programs are often too narrow in conception or too restrictive in execution, limiting the incentive for small farmers to sign up or, when they do sign up, limiting the opportunities to use environmentally friendly practices to their greatest advantage.

Despite farmers' best efforts, tillage will result in some soil loss, chemicals will occasionally find their way into groundwater, and confined animals will sometimes create air and water quality problems. In view of the economic downturn in farming, moreover, it is unreasonable to assume that landowners (especially small family farmers) can afford the cost of environmentally friendly practices without Federal or State assistance, especially if it means taking land out of production.

USDA has a major role to play in addressing our Nation's environmental problems, but its programs should be based on a new vision, a vision that gives natural resources a value equal to crop commodities, that discriminates against no farmer or crop, and that acknowledges the importance of the small family farm. This vision will require increased funding for some proven programs, as well as the implementation of new programs.

Proposed Actions

1. Change the emphasis in incentive programs.—Incentive-based conservation programs should place greater emphasis on land treatments that benefit conservation and the environment, and less emphasis on land retirement. Programs should focus more on making good stewardship the centerpiece of support payments to maximize the benefits derived and to guarantee the long-term viability of family farms. (These goals relate to Recommendations 6.13 and 6.14 found in *A Time to Act*.) Specific provisions would include the following:

- Place modest dollar caps on annual payments to be made to a single farm. Payment caps should reflect level of conservation/environmental benefits derived. Caps not only provide a mechanism for regulating the total cost of the program, they also place small family farms on an equal footing with larger farms. Stewardship-based policy should, at a minimum, be neutral in scale.

- Do not limit eligibility for participation in USDA conservation programs to a producer type or specific use of agricultural land, as is currently the case within CRP. All regions, and different producers within regions, have conservation and environmental problems that require USDA support to correct.

- Allow a greater range of stewardship practices under all USDA conservation programs. Landscape diversification activities that include trees, cover crops, and alternative crops, can be used in conjunction with more convention practices to produce benefits superior to those achieved using grasses alone.

- When feasible, provide for the sustainable economic use of lands enrolled in incentive-based conservation programs, in return for reduced payments. Uses could include growing trees, limited grazing, and other activities. In some areas, wholesale land retirement is not an option, and even where it is an option there should be special consideration for approaches that keep people on the land.

2. Increase funding for conservation programs generally, and especially for those that target the needs of small farms.—Funding for conservation programs is inadequate, and many proven programs that are especially beneficial to small family farms are grossly underfunded. USDA should identify incentive-based programs and support them for increased funding. (These goals relate to Recommendations 1.32abf, 3.26a, 5.12, 5.13, 6.11, 7.1, 7.13, and 7.15 found in *A Time to Act*.) Among the programs that might be considered for priority funding are the following:

- **Farm Stewardship Support Payment.**—Implement a payment system that redirects some commodity payments into supporting use of farm stewardship practices. These practices could include water quality protection, soil-conservation, agroforestry, use of cover crops, and soil-conserving alternative crops.

- **Environmental Quality Incentives Program.**—EQIP is uniquely designed to address environmental/conservation problems on the family farm. To maximize its benefits, and to provide for fair and equal treatment of small farmers, the following changes will be needed: (1) increase the funds available to address statewide natural resource concerns by reducing the percentage to be used for funding priority areas; (2) improve the opportunities for small farms by forbidding large producers from improving their offer index or bid by lowering their program cost to maximize their environmental cost-benefits ratio in order to obtain a higher ranking in the selection process—a practice commonly referred to as “buying down”; (3) amend authorizing language to guarantee the availability and use of all allocated funds until expended; (4) permit program payments during the year a landowner’s contract is signed; (5) reduce contract duration to make the program more attractive to financially stressed producers; and (6) increase funding to $200 million per year.

- **Farmland Protection Program.**—Increase funding to $150 million per year.

- **Conservation Reserve Program.**—CRP is by far USDA’s single most expensive conservation program and accounts for the majority of USDA’s increased conservation spending during recent years. As currently designed, however, CRP is biased in favor of row crop producers and finds its greatest popularity in the Midwest and Great Plains. Needed reforms include increasing eligibility to 40 million cumulative acres and providing increased flexibility in eligibility, authorized practices, and land use during enrollment.

- **Conservation Farm Option.**—This program was previously authorized to provide payments to farmers implementing sound stewardship practices and is well suited to meet the needs on the family farm. Renew and fund for $100 million per year.

- **Forestry Incentives Program.** FIP provides funding for tree establishment with an emphasis on production, which is especially beneficial to small family farm operators. Increasing the forested acreage provides numerous conservation and environmental benefits. Increase funding to $8 million annually.

- **Conservation of Private Grazing Land Program.** This is one of the few USDA programs that specifically target conservation and protection of grazing lands and, as such, should receive increased funding. Increase funding to $70 million per year.

- **Wildlife Habitat Incentives Program.** WHIP is very popular on family farms and provides opportunities for addressing wildlife needs that are not possible or, at a minimum, difficult to address through other programs. Maintain funding and increase if possible.

- **Stewardship Incentive Program.** SIP provides cost-sharing for several highly flexible practices, including riparian buffers, that provide environmental benefits. While it has not been funded in recent years, it deserves to be renewed and funded. Fund for $10 million annually.

3. Develop new stewardship-oriented practices. Two programs in particular are recommended for increased funding. (These relate to Recommendations 1.1, 1.3, 1.5, 1.6c, 3.20, 4.17, 6.1, and 7.9 in *A Time to Act*.):

- **Sustainable Agriculture Research and Education.** Increase funding for sustainable agriculture producer grants so that farmers have financial assistance for trying new stewardship-oriented practices. This program meets the needs of small family farmers better than most other programs. The Committee proposes that USDA seek funding of $15 million per year for this program.

- **The Fund for Rural America.**—While many Federal programs provide funding for research, few are available that give priority to applied research that specifically addresses the needs of rural America. Without such funding, limited emphasis is placed on developing stewardship-oriented practices for application on family farms. The Fund for Rural America program provides funding for a very wide range of projects at the small farm level; and while only a fraction of the funding has gone to conservation, it is critically important in the developing of economically viable and environmentally friendly practices that family farms can substitute for more traditional row crop practices. Our committee proposes funding this program at the level of at least $60 million for the upcoming fiscal year.

4. Increase funding for hiring qualified personnel trained in new, environmentally friendly technologies.—This action will enhance the quality and quantity of technical assistance available to landowners. (This action relates to Recommendations 1.32abf, 3.26a, 4.4, 4.5, 4.6, 4.7, 4.16, 4.19, 4.22, 6.2, 6.4, and 7.3, found in *A Time to Act*.) Some minority-owned and minority-operated small farms have already benefited from education and assistance programs specifically designed to address this need:

- **Outreach and Technical Assistance Program for Socially Disadvantaged/Minority Farmers (Section 2501 program).**—This program continues to be a priority for all who are involved with small family farms, but it is significantly underfunded. The Committee recommends funding of $20 million per year and additional efforts to have the program serve all areas of the country.

- **Natural Resources Conservation Service.**—NRCS, which is the primary Federal agency that works with private landowners to help them protect their natural resources, must significantly increase its number of Conservation Technical Assistance personnel or adopt a creative new approach to meet the technology transfer needs of small family farms. Reorganizations and downsizing during recent years due to budget shortages have left areas within States and, in some instances, whole States and regions with insufficient technical support. Without an enhanced technical support infrastructure, many of our conservation/environmentally beneficial programs will go unused or will be applied in manners that will not maximize their potential benefits. One option is to transfer budget and staff from unneeded USDA programs as they are eliminated. Until this can occur, we propose that the NRCS develop and adopt a "train-the-trainer" program, leveraging the number of individuals trained in conservation practices. The Committee proposes an ultimate increase of 50 percent ($450 million) in funding to increase the number of technical assistance personnel.

Expected Outcomes

Many scientific studies have documented the environmental benefits of federally funded, incentive-based conservation and environmental programs, including improved water quality and increases in wildlife. The value of such programs in reducing CO_2 levels and mitigating global warming is less well understood, but many observers feel that well-designed, incentive-based environmental programs could play vital roles through the sequestration and long-term "tie-up" of CO_2 in woody tissue.

Increased funding for such programs, specifically earmarked for small family farms, would have the additional benefit of improving the financial stability of the small farm. Increased funding for specific programs would greatly increase the quality and quantity of technical advice and assistance available to small farms.

Actions Required

- USDA adoption of our suggested changes in existing programs.

- Legislation—incorporate suggested changes into a Small Farm Title in the 2002 Farm Bill.

Guaranteed Lending to Small Farmers, Ranchers, and Woodlot Owners

Subcommittee on Small Farms Sustainability
Major Contributor: Archie Hart,
North Carolina Department of Agriculture

The Issue

Lack of credit is a major problem for small farmers and a leading cause of small farm failures. There were several recommendations in this area in *A Time to Act* (Recommendations 1.12, 1.14, 4.10, 7.04). More recently, at a State meeting in North Carolina, the timeliness of the application process was identified as a particular concern. Many farmers received operating money too late to save their farms, even though they had started the application process in a timely fashion. This contributed to a number of bankruptcies and to the decisions of others to get out of farming.

Proposed Action

The Committee recommends that the Administration continue direct and guaranteed lending to applicants (small farmers, ranchers, and woodlot owners and limited-resource farmers) as defined by the Equal Credit Opportunity Act and in *A Time to Act*. We further recommend that the request to Congress be at the maximum authorized level for farm ownership direct loans and farm operating direct loans, of which 20 percent will go to small and limited-resource programs. In addition, the Committee recommends that the Administration introduce legislation requiring that at least 15 percent of Farm Service Agency (FSA) loans go to low-equity beginning farmers.

An important consideration in these programs is the timeliness of receiving funds, particularly operating funds. Consequently, it is vital that USDA streamline its application process. To achieve this goal, the Committee recommends that USDA put in place a direct and guaranteed loan process that will approve or disapprove applications in 30 days or less. This can be done by eliminating annual eligibility and implementing a line credit for direct lending at the maximum eligible level.

Expected Outcome

The implementation of these recommendations will reduce the lack of credit and lack of timely assistance that have contributed to driving many small operators out of farming.

Diversity on Farm Service Agency County Committees

Subcommittee on Small Farms Sustainability
Major Contributor: Marion Long Bowlan,
Pennsylvania Farm Link, Manheim, Pennsylvania

In 1998, the National Commission on Small Farms recommended that USDA set aside one seat for minority and underserved farmers on the Farm Service Agency (FSA) County Committee in every county where more than 10 percent of the registered owners and operators are minorities (Recommendation 1.26). In response to this recommendation, USDA has taken the following actions:

- **FSA County Committees and Diversity:** The role of FSA County Committees has been changed from determining applicants' eligibility to providing information on local agricultural conditions and practices in an advisory capacity. State and County Committees have been instructed to actively seek nominations of minorities, females, and underserved producer groups. As of August 31, 1998, seats held by minorities on the county committees numbered 303, up 78 percent from 1997; and seats held by women numbered 816, up 38 percent from 1997.

- **Support of Proposed Legislation.** The Administration endorsed HR 2185, sponsored by Rep. Eva Clayton, a bill related to minority representation on county committees and other issues raised in the USDA Small Farms Coordinator's report, "Meeting the Challenge of A Time to Act: USDA Progress and Achievements on Small Farms" which was published in April 2000 (USDA Miscellaneous Publication No. 1563).

USDA is to be commended on the progress it has made in increasing the role and representation of minorities and women on county committees. However, reports from members of the Advisory Committee state that continued vigilance and action are needed to root out deep-seated racism and prejudice in some of the County Committees. The problems of African-American farmers are well documented, but discrimination against other farmers of color is no less prevalent, and farming households headed by women have smaller average incomes, receive less in government benefits, and are more likely to live in poverty than farm households headed by men.

A proactive strategy is needed to encourage a new generation of African-American, other minority, and women farmers at the local level. Representation on FSA County Committees is the first step. Other issues to be addressed include a lack of knowledge on tax and credit policies, inheritance transfer mechanisms, eminent domain, and legal instruments for maintaining or acquiring land. One survey found that 69 percent of African-American landowners in the Southeast may die without making a will, in part because of historical distrust of the legal system. Regulatory controls over some Indian land add another layer of legal complexity to an already complex system that sometimes results in land leaving Indian hands altogether.

Clearly, these complex problems require a thoughtful and multifaceted response to ensure a diverse, well-informed farm operator population. This must include education, outreach, and legal representation to overturn years of discrimination. The place to begin is at the local level, and FSA County Committees will have an important role in finding local answers to these deeply rooted problems.

Proposed Actions

1. Prepare an annual report on the diversity of FSA County Committees. USDA should prepare an annual report to the USDA Office of Civil Rights, providing a county-by-county analysis of minority and female representation on these committees so that areas of the country that need improvement can be identified. The report should also include a comparison with the general and farming populations in each county.

2. Develop local strategies to combat discrimination. After appropriate representation on County Committees is secured, each County Committee (in cooperation with its local FSA office and other community organizations) should be charged with developing a proactive plan to develop strategies and programs to identify and address local issues that prevent the eradication of racism and discrimination. These strategies should include action steps and implementation plans, with reports on actions taken going directly to the Secretary of Agriculture. Appropriate assistance and oversight from the USDA Office of Civil Rights is recommended.

Expected Outcomes

Annual reports will allow local committees and USDA to identify areas of continued discrimination that should be targeted for remedial action. Local strategies will give the FSA County Committee a leadership role in identifying and addressing the root causes of discrimination.

Value-Added Production, Processing, and Marketing for Small Farms

Subcommittee on Small Farms Sustainability
Major Contributor: George Lawrence Siemon,
Organic Valley Cooperative, Wisconsin

The Issue

A Time to Act recommended a number of actions that would promote farm-based business development and agriculture-based rural development, primarily through value-added processing and marketing (Recommendations 1.5, 1.8, 1.9, 1.10, 1.11, 3.16, 3.18, 3.19, 3.22, 3.24, 3.25, 3.26, 3.27, and 6.3). The proposed mechanisms included guaranteed loan programs and other USDA assistance to local cooperatives and entrepreneurs, and support infrastructure that would support and strengthen local and regional food economies.

USDA has made considerable progress on implementing these recommendations. For example, the Rural Business-Cooperative Service (RBS) has changed the rules for the Business and Industry (B&I) Guaranteed Loan Program to allow guaranteed loans for agriculture production, if it is part of an integrated business also involved in the processing of agricultural commodities. This change allows small farmers and those not eligible for credit under FSA loan programs (non-"family farms," as defined by FSA regulations) to obtain credit for agricultural value-added processing businesses. RBS is also making changes to comply with the Federal Agriculture Improvement and Reform (FAIR) Act of 1996, which allows "family-sized farmers" to assume B&I loans to finance start-up capital stock in value-added processing cooperatives.

However, additional changes in existing programs, as well as new initiatives, hold great promise for increasing the financial and technical assistance available to small farm-based businesses. Cooperatives need help in accumulating capital and in meeting the challenges of new and different initiatives in value-added processing and marketing.

In addition, the uneven implementation of the Organic Food Production Act of 1990 (OFPA) has created problems for producers and confusion for consumers. Organic farmers face different production and marketing conditions than conventional producers. They have trouble getting information about which inputs are produced with genetic modified organisms (GMO) technology, with the result that some organic products are rejected because of "GMO drift." Small farms pay more for organic certification than larger farms, on a percentage basis, and crop insurance programs often ignore the higher market value of their products. As a minority of producers in any crop area, they have little ability to change market orders to fit their unique needs. And like any new specialty product, organic crops need continuing promotion to increase consumer awareness and acceptance.

Proposed Actions

1. Increase the accessibility of funding for value-added businesses and cooperatives that benefit small farms.— The RBS B&I direct loan program is not well known among rural development practitioners and others who could benefit from it. RBS should revise the B&I loan program regulations to give priority to projects that will primarily benefit small farms. B&I loans, direct and guaranteed, should be used to finance the development of new marketing infrastructure, including locally owned, value-added processing and marketing opportunities. RBS should also consider changes in the rules for financing local cooperatives to allow new members to join existing cooperatives and permit cooperatives to coordinate their finances through a single bank. USDA should also continue funding of the Value Added Development Grant (VADG) Program, a unique mechanism that provides funds directly to the producer association and that can be used for working capital for cooperatives.

The Committee also recommends that USDA seek changes in Federal and State tax codes that would increase incentives for investing in agricultural cooperatives. Two such changes have particular promise for increasing investment:

a. **Allow preferred stock dividends to qualify as non-taxable income.** Community development bonds are already given tax-free status; this would provide the same status for investments in agricultural cooperatives. Many State laws limit interest/dividends, and a tax break like those used in municipal bonds would greatly increase potential friendly investors.

b. **Allow 401k status for optional farmer investment.** Farmers often express the need for a retirement program; this would allow them to invest pretax income in a preferred-stock fund administered by the cooperative. The investment could be folded into the employee program or by a new mechanism be an investment into cooperative equity on terms similar to 401k programs. If farmers were granted a pre-income tax basis then they could participate in a retirement program while possibly also providing equity for the cooperative.

2. Strengthen USDA agencies and programs that support agricultural cooperatives.—The former Agricultural Cooperative Service (ACS) lost its agency status and 40 percent of its staff while gaining responsibility for stimulating new cooperatives to rebuild the rural infrastructure that is crucial for the survivability of the small farm. USDA should restore the agency status of ACS-RBS and provide adequate budget and staff to manage the many vital programs it administers.

Two new initiatives also hold promise for supporting the creation and growth of agricultural cooperatives:

a. **Establish and finance a network of advisors or "mentors" for cooperatives.** Cooperative boards often need outside advisors who can provide short- or long-term assistance in areas where the boards feel weak. This resource should be available for both new and existing boards.

b. **Provide and finance an emergency service that could send "crisis teams" to the aid of cooperatives that are facing management and financial troubles.** Recent failures and troubles at existing boards demonstrate the need for such assistance. These advisors would be the same pool as those for the mentor program above.

3. Empower organic farmers through equitable treatment, improved information, and improved labeling.—A number of actions are needed to ensure that the implementation of the OFPA benefits both the farmer and consumer. These actions include but are not necessarily limited to the following:

a. **Require labeling of all inputs that are produced with GMOs.** In order to assure that organic food is produced without GMO inputs, organic producers and handlers must disclose GMO-based inputs.

b. **Compensate organic producers for crops that are polluted by GMO organisms.** When organic products are rejected due to GMO drift, producers need a mechanism to recover the loss of organic value.

c. **Modify the organic certification fee structure to treat smaller producers fairly.** The final fee structure must not discourage small farmers, who currently pay a significantly higher cost for organic certification, on a percentage basis, than larger farms.

d. **Recognize the added value of organic and specialty products in crop insurance and other payments.** Organic farmers insured at conventional prices are at a distinct disadvantage, because of their higher costs and proven higher commodity price. Crop insurance and other programs must compensate at proven market value.

e. **Allow organic farmers to vote as a separate category of producers to assure that USDA programs fit their unique needs.** OFPA made organic products a distinct group of commodities, but regulations have not dealt with how this interacts with the market orders. Present market orders are often in direct conflict with organic market realities, but organic producers, as a minority of all producers, have no democratic ability to change orders to fit the organic market conditions.

f. **Provide funding for outreach programs (to help farmers understand the rules for organic certification) and consumer education (to promote organic consumption).**

g. **Establish other labeling programs that will increase market opportunities for small farmers.** Examples include not only organic certification but also retail labeling for GMO inputs and irradiation (to create alternative markets), and point-of-origin labeling (to identify ingredients produced outside the United States.)

4. Create programs to strengthen and encourage small farm entrepreneurship.—Small farmers have the potential to meet the demand of specific market niches, but this potential has never been intentionally pursued by USDA. Similarly, small farmers have the ability to contribute to community-level economic development. To exploit these capabilities will require a concentrated effort in entrepreneurial development, including business planning and development, financial management, and product development, as well as market research, analysis, and execution.

Expected Outcomes

The proposed changes in RBS loan programs and stock purchase plans would result in broader participation in local cooperatives and increase their utilization by small farms. New tax rules would provide new sources of capital for cooperatives. Mentors and crisis teams would provide experienced advisors to strengthen cooperative management and prevent the unfortunate failures that seriously affect the farm community. Farm payments that recognize the added value of organic crops, like giving organic producers the right to vote as a separate group, will provide equitable treatment and control for organic producers. New and expanded labeling requirements will help to create alternative markets for small farm products that are produced without GMO inputs or irradiation. Clear labeling will also allow consumers the opportunity to support domestic production and give small farmers the chance to differentiate their products.

Fair, Competitive, and Open Markets for Small Farms

Subcommittee on Small Farms Sustainability
Major Contributor: Sue Jarrett, Rancher,
Wray, Colorado

The Issue

Prior to the Great Depression, concerns about the economic situation of farmers were addressed mainly through policies and programs designed to make farmers more efficient. The primary tools were agricultural research, education, and extension, programs that remain an important part of farm policy today. However, no matter how efficient they become, family farmers ultimately derive their income from the agricultural marketplace.

Family farmers have always been in a position of weakness in buying their inputs from large suppliers and selling their products to large processors. The continuing consolidation of agribusiness has further weakened the position of the family farmer, who has fewer suppliers and buyers than ever before. The result is a decreasing number of family farms and the smallest farm share of the consumer's dollar in history.

Small farmers need competitive markets on the local level, not the global level. Family farms sell their products on the local level, but if there's no buyer but Cargill within a 100-mile radius, that market is not competitive. If a livestock seller only receives one bid, 1 day a week, and is given 15 minutes to take it or leave it, that market is not a competitive market. Small farmers and ranchers have all of their capital invested in their crops and herds; they can't afford to wait for a better price or ship their products to more distant buyers.

One hundred years ago, Congress reacted appropriately to citizen concerns by enacting laws to constrain the activities of corporations whose size and market power harmed (or risked harming) trade, commerce, and the public interest. The plight of the small farmer relative to powerful middlemen was at least part of the reason for the Sherman Act of 1890. Other competition policy enacted during that era includes the Clayton Act, the Federal Trade Commission Act, and the Packers and Stockyards Act. Since that time, many other countries have followed this U.S. example by constraining undue market power in their domestic economies.

Unfortunately, competition policy has been severely weakened in this country, especially in agriculture, due to Federal case law, underfunded enforcement, and unfounded reliance on claims of efficiency. The result has been a significant degradation of the domestic agricultural market infrastructure. The current situation reflects a tremendous misallocation of resources across the food chain. Congress must strengthen competition policy within the farm sector to reclaim a properly operating marketplace.

Proposed Actions

The Committee urges Congress to strengthen competition policy by enacting legislation that considers family farmers in its enforcement, by funding enforcement agencies more fully, and by supporting the creation of new farmer-owned businesses to add competitors to the marketplace. We urge Congress to create a Competition Policy title in the new Farm Bill. That legislation should include at least four major components.

1. Ensure antitrust regulation and enforcement in agriculture.—The antitrust laws should be altered to focus on supplier harm, in addition to consumer harm. New legislation should prohibit mergers or acquisitions that allow a firm to gain more than a 15 percent market share nationally in any agricultural business, including the retail supermarket trade. Congress should amend the Clayton Antitrust Act to make it clear that a person who suffers indirect as well as direct harm can recover damages resulting from anti-competitive conduct. Congress should also enact legislation easing the ability of farmers to achieve class status in litigation involving anti-competitive practices by agricultural businesses, including the retail supermarket trade. Congress should significantly increase funding for enforcement of antitrust laws. Jurisdiction over enforcement of antitrust laws should reside with the Department of Justice in a newly created Office of Agricultural Competition.

2. Ensure competition in the livestock sector.—Both USDA and Congress need to take action. USDA should improve price reporting by processors as to live animals and the meat trade. USDA should not eliminate information from public reports under the guise of "proprietary information" unless such information is proven by a processor to be economically valuable and not readily ascertainable in other nonpublic ways, and it is shown that disclosure would cause provable economic harm.

Congress, for its part, should enact an immediate, 2-year suspension on all mergers and acquisitions involving meat and poultry processors who possess a 5-percent or greater market share. Congress should prohibit red meat processors from owning livestock or livestock production operations. Congress should require that all contracts between producers and processors of red meat and poultry must be negotiated in an open, public manner and must include a fixed base price negotiated at the time of the agreement. Congress should prohibit non-price benefits between producers and processors of livestock as anticompetitive or discriminatory practices, unless such benefits are offered in an open, public manner. (Such non-price benefits include, but are not limited to, delivery terms, processor financing, processor leasing/ ownership of facilities or land, etc.) Jurisdiction over competition issues in the livestock sector should be transferred from USDA to a newly created Office of Agricultural Competition in the Department of Justice.

3. Ensure fairness in contracting.—Horizontal and vertical integration has choked the open market for cattle and hogs. The big meat packers not only control huge portions of the processing sector, they also own and operate massive factory farms, or contract in advance with factory farmers for a specified supply. Small farmers find that the open market has shrunken to the point where there is barely any demand for their products. To the extent that contracting is allowed between agricultural producers and processors, we urge that Congress enact the following fairness requirements:

- Require contracts to be in plain language and to disclose material risks.
- Provide contract producers with a 3-day right to review contracts that are guaranteed supply basis—not the marketing contracts that are price-setting contracts based on a newly created agricultural cooperative board.
- Prohibit confidentiality clauses in contracts.
- Provide producers with a first-priority lien for payments due under a contract.
- Protect producers from having contracts terminated capriciously or as a form of Retribution.
- Prohibit processors from retaliating or discriminating against producers who exercise rights, including the right to join producer organizations.

4. Ensure a new competitiveness.—The encouragement of new competitors in the agriculture sector is key to diffusing the power of the dominant firms and providing profitable opportunities for family farmers. Federal and State governments provide tremendous amounts of money to dominant firms in the form of grants, loans, tax breaks, and research and development subsidies. The Committee urges USDA and the Congress to redirect these funds to spur the development of new start-ups that will provide new opportunities for family farmers to market their products. Three specific actions would give this effort a good start:

(1) *Modify all food- and agriculture-related grant and loan programs to target small- to mid-sized farms and farmer-owned businesses.* This should not be limited to entities structured as cooperatives.

(2) *Require that all research performed within USDA, or funded by USDA, specifically focus on small- to mid-sized farms and farmer-owned businesses.*

(3) *Give farmer-owned operations a 10-percent preference in all Federal food-procurement programs.* This would mean more numerous, but smaller volume, contracts and/or requests for proposal for food procurement, as opposed to the large-volume specifications currently included in many such contracts. A preliminary study should be done to identify barriers to buying from farm-based or farmer-owned food suppliers, in an effort to find and implement solutions to such barriers.

Supplemental Income Support for Specialty Crops

Subcommittee on Small Farms Sustainability
Major Contributor: Ranvir Singh, Fruit Grower
Marysville, California

The Issue

Family farms are being gobbled up by giant corporations, squeezed out of the market by government-subsidized imports, and increasingly beset by a byzantine codex of regulatory nightmares. U.S. food processors are now buying crops from foreign countries that are still using pesticides we banned 20 years ago. Worst of all, family farmers have been cast adrift on the uncertain seas of world markets at a time when commodity prices are dropping and processors and retailers are consolidating at a rapid clip. Increasingly, farmers face a choice between selling their produce for less than the cost of production, or simply letting the crops rot in the fields.

Farmers who have shifted into specialty crops are particularly vulnerable. Crops such as almonds, walnuts, peaches, plums, kiwi, and berries are grown primarily on small farms. They face the same risks and challenges as large producers, but with far fewer resources. They compete in the same global markets, where they are buffeted by subsidized competition, sudden import surges, and the strong dollar. Yet they have no dedicated support from USDA, and uneven access to support programs that were originally designed to assist larger producers and conventional crops.

Proposed Actions

1. Provide supplemental income support for specialty crops, as well as commodities.—The Committee recommends that USDA provide Supplemental Income Support for all crops that are covered by the Risk Management Agency (RMA). No crop should be excluded if it is under RMA. In addition, RMA coverage should be raised from 75 percent to 80 percent of total yield, to compensate for higher input costs, and should allow the producer to exclude the 2 worst years from his or her 5-year average. RMA should also implement cost-of-production adjustments for all insurable commodities. Such a tool would give the producer the leverage of growing a commodity in an unstable economic environment.

2. Provide gross revenue insurance.—GRI would give the farmer a security against market conditions and price variations, allowing the small farmer to compete on the world market. Coverage should be implemented on a tier system, with 75 percent coverage for small farmers (gross under $250,000) and a lower percentage, perhaps 50 percent, for larger operations—for example, 75 percent coverage for small growers and 50 percent or less for large commercial operations.

3. Provide emergency assistance to specialty producers injured by imports.—The Committee urges Congress to authorize emergency economic loss assistance for commodities that are experiencing financial difficulties. This should include a market loss assistance program to help farmers who are suffering short-term losses brought on by subsidized foreign competition, sudden foreign import surges, and the strong dollar. In the longer term, efforts are needed to level the playing field on international trade. Priority issues include point-of-origin labeling.

4. Educate consumers on the role and plight of small specialty producers.—The Committee urges USDA to scrutinize the farmer/retailer price-setting relationship and to improve public understanding of the relationship between the price the producer receives and the prices charged at the retail level. USDA should do more to increase the public's understanding and awareness of the state of U.S. agriculture and what is necessary to maintain its viability and its associated values.

Expected Outcomes

These actions would reduce the uncertainties of growing specialty crops, lower the number of small farmers who default on their production loans, and contribute to the survival of family farms in the United States.

Local and Regional Food Economy

Subcommittee on Small Farms Sustainability
Major Contributor: Marion Long Bowlan
Pennsylvania Farm Link, Manheim, Pennsylvania

The Issue

In the global food economy, capital and technology are mobile and can be transferred to those parts of the world with the lowest labor costs and the weakest environmental and health regulations. On this playing field, small farms are left out of the game. The alternative is a local or regional food economy where small farmers play a central role, meeting community food and fiber needs and selling their products through alternative marketing channels.

The strength of a local food economy is the face-to-face relationship between producers and consumers, between farmers and the community. Through this relationship, small farmers provide fresh, in-season food that is appreciated and purchased by community citizens. The relationship creates an opportunity for mutual trust and support, contributing to the betterment of the community as a whole. However, small farmers sometimes lack the full range of business skills that are needed to identify, establish, and extend these relationships.

The current models include farmers markets, community-supported agriculture, church-supported agriculture, on-farm marketing, subscription farming, roadside stands, home delivery routes, and farm-to-chef direct marketing. These mechanisms offer small farmers an opportunity to supply local markets with fresh foods and to maintain an economically viable small farm operation. They also address the problem of food insecurity by developing linkages between small farmers and the nutrition needs of low-income people.

Local or regional food systems also offer the potential for place-based identification of food products from farms that provide intrinsic value beyond food production alone. For example, farmers in upstate New York have entered into a unique relationship with New York City to implement whole-farm conservation methods to protect the watershed that supplies New York City's drinking water. At its public meeting in Albany, NY, the Commission heard of current efforts to market upstate farm products (veal, milk, vegetables) to upscale restaurants in New York City, identifying the source of the farm products on the menu and making the connection for customers to the city's water quality.

Proposed Actions

1. Encourage the use of the Federal-State Marketing Improvement Program (FSMIP) for developing direct marketing strategies and initiatives that primarily benefit small farms.—The Agricultural Marketing Service has developed a Farmer Direct Marketing Three-Year Action Plan that includes:

- identifying direct marketing issues and opportunities for small farmers,
- promoting the development and operation of farmers markets and other marketing activities that support small farmers,
- compiling and disseminating information on direct marketing activities, and
- supporting research in farmer direct marketing.

The Committee believes that this program should also include a budget analysis, similar to the one that the Animal and Plant Health Inspection Service (APHIS) program has used, to determine how Federal dollars provided to State programs are benefiting small farms. The presumption is that this program benefits small farms, and the committee would like to support this effort, but hard data are needed to determine if this assumption is correct. Where are the dollars going and who is benefiting? USDA should set out guidelines for distributing the money and use the approach developed by APHIS to determine if, in fact, small farms are benefiting. The Committee recommends that this strategy be incorporated as outcome measures for this 3-year action plan.

2. Encourage point-of-origin labeling to differentiate local products, so long as the labeling is not anticompetitive and does not harm the public interest.—NRCS worked with the Food Alliance of Oregon, which has an eco-label that farmers can adopt to promote products produced under environmentally sound conditions. USDA should determine if this type of labeling could be adopted in other areas and how it should be administered and monitored. Local NRCS offices could provide training assistance to area farmers. This effort should be duplicated in other regions as well as developing local labels that promote pride in local food products. A small farm label should also be developed. Descriptions of small farms, as established by the Commission on Small Farms, should be part of the criterion. USDA should determine a lead agency in this effort.

3. Expand and duplicate farmers markets at Federal sites.—The number of farmers markets in the United States grew by 36 percent between 1994 and 1998 and has continued to increase in recent years. Sales at farmers markets will total $1 billion this year, with most of the money going to small family farmers. USDA says that it is working closely with State departments of agriculture to further increase the number of farmers markets that assist the small grower. USDA is to be commended for these efforts, but it also needs to collect information to determine which States are doing an exemplary job and which States need to make an extra effort. The USDA Advisory Committee would like to see an annual report on farmers market growth and where it is occuring. This report could also serve as an assessment of progress made and where to focus additional efforts. In addition, USDA should also act to increase the number of farmers markets at Federal office buildings, facilities, and sites, so long as these new markets would not compete with existing markets and are limited to farmers directly involved in growing their own produce.

4. Expand the WIC Farmers Market Nutrition Program (WIC/FMNP) to areas where it has not been available.—According to USDA, 39 States and 4 tribal organizations have implemented this program. Plans are underway to expand existing programs and to step up outreach efforts in nonparticipating States. The Committee would like to see the program expanded to all 50 States and 2 territories by the end of FY 2003. USDA needs to develop an action plan to set up this expansion by the end of FY 2002.

5. Increase farmers market participation in the Food Stamp Program.—USDA's action plan to address this issue requires that all States have the Electronic Benefit Transfer (EBT) system in place by October 2002. An infrastructure problem of access to phone lines and electricity is presenting a problem for accepting these payments. Solutions to these technical problems are being investigated, and need to be resolved as soon as possible.

6. Encourage further efforts by FNS, AMS, and NRCS to pursue marketing opportunities for small farmers to supply school lunch programs.—USDA is to be commended on its efforts to foster local and regional food systems for the benefit of small farms, rural community citizens, and low-income people in rural and urban areas. Recent initiatives have shown interagency cooperation, as well as creativity and innovation, in reaching out to small farmers to create local marketing outlets. A good example is the New North Florida Cooperative, which combines the resources of the Gadsden and Jackson County School Districts, the Department of Defense, the West Florida Resource Conservation and Development Council, Florida A&M University, the Florida State Bureau of Farm Markets, and the Agricultural Marketing Service and Rural Business-Cooperative Service of USDA to reach out to improve the lives of limited-resource producers. This initiative is a good example of multiple agencies working together to improve the lives of limited-resource producers. The results were published and should be replicated throughout the country. The Committee recommends that these efforts be duplicated in at least six areas in the next 2 years, and the benefits to small farmers should be calculated and documented.

7. Conduct a feasibility study to support a Federal Government procurement policy that gives priority to local purchasing of fresh farm and food products at Federal agency cafeterias, including national parks.—A feasibility study should be conducted by the end of FY 2002 and pilot sites identified for implementation.

8. Assess the new Community Food Projects (CFP) program and publicize the best projects as models for other communities.—This Cooperative State Research, Education, and Extension Service (CSREES) program is designed to meet local food needs by connecting low-income people with small farmers, thereby increasing the self-reliance of communities and promoting a comprehensive response to local food, farm, and nutrition needs. These projects are also expected to have economic, social, and environmental impacts in areas such as job training, employment opportunities, small business expansion, neighborhood revitalization, open space development, transportation assistance, and other community enhancements. Funded proposals must provide evidence of information sharing, coalition building, and substantial community linkages.

Feedback from funded projects indicates positive benefits from taking a long-term view and comprehensive approach. Underfunding of these projects appears to be a major stumbling block. Applicants should be made aware of several USDA and Federal policy initiatives, such as the Community Food Security Initiative, that have the potential to strengthen the impact and success of some CFP projects. The Committee recommends that USDA double the funding for these initiatives to increase long-term solutions for food security and low-income people.

Safety Nets for Family Farms and Small Dairy Farms

Subcommittee on Small Farms Sustainability
Major Contributor: Marion Long Bowlan
Pennsylvania Farm Link, Manheim, Pennsylvania

The Issue

Many farm families struggle every year, especially those who call farming their main occupation. The vagaries of weather and markets can cause significant disruption in some years, even for large and efficient operations. Family owned and operated dairy farms, in particular, are enduring an unprecedented financial crisis, with the price of raw milk falling to 1978 levels. The number of family-sized dairy operations has decreased by almost 75 percent in the last two decades, and some States have lost nearly 10 percent of their dairy farmers in the space of a few months.

The idea of a "farm safety net" is that every farm household would be guaranteed a level of income sufficient to maintain some socially sanctioned level of well-being. One proposal would extend eligibility to households with income less than 185 percent of the poverty level, a benchmark used by several USDA nutrition programs. For example, the poverty line for a family of four was $16,400 in 1997; 185 percent of this amount is $30,340.

Proposed Actions

1. Enact a farm safety net at 185 percent of the poverty level.

2. Enact the National Dairy Farmers Fairness Act of 2001 (Senate Bill 294).—This legislation would allow dairy families to sell their milk at prices that provide a reasonable profit and thereby maintain income stability. It would also provide consumers with high-quality, reasonably priced products. The quantity of milk for which producers could receive payments would be limited to 26,000 hundredweight of all milk each year.

Expected Outcomes

The safety net approach would reduce or eliminate payments to larger farms and non-family farms, directing funds instead to family farms with limited resources and lower sales. An analysis of this approach by USDA's Economic Research Service indicates that, for the same amount that was spent for traditional programs during the period 1993-97, the farm problem could have been "solved" by providing these income-based transfer payments. This scenario also illustrates how transfer payments could guarantee a minimum income for farm families at an aggregated cost no greater that what society has been willing to pay for farm support. To the extent that a minimum income is sufficient to keep families engaged in farming and dairy operations, these proposed actions would also reduce the number of families that leave these sectors each year.

Subcommittee on Providing Just and Humane Working Conditions in Production Agriculture

- Luz Bazan-Gutierrez, Chair
- Golden J. Hardy
- Neil Hamilton
- Sue Bertrand
- Archie Hart
- Ranvir Singh

Just and Humane Working Conditions in Production Agriculture

Subcommittee on Providing Just and Humane
Working Conditions in Production Agriculture

The Issue

USDA's continuing concern for the treatment of farm workers is well documented and analyzed in (a) the November 1992 report of the Commission on Agriculture Workers; (b) in Recommendations 8.1 and 8.2 of *A Time to Act*, the January 1998 report of the USDA National Commission on Small Farms (Commission); and (c) two report cards issued by the "Time to Act! Campaign," which is an independent farmers' advocacy organization whose purpose was to promote the recommendations of the Commission.

The Advisory Committee on Small Farms reaffirms these earlier findings and recommendations, and in particular their call to (1) include all subpopulations of workers on small farms (e.g., women, children, minorities, migrants, and specialty farmers); (2) create a prioritized action plan with outcome performance indicators; and (3) develop infrastructure to ensure that recommendations are implemented and accomplished. The Committee feels that USDA should act as an advocate throughout the U.S. Government for the interests of small farms and farm workers. The following recommendations are intended to provide guidance in assuming that role and achieving those goals.

Proposed Actions

1. Establish a White House Task Force on Farm Workers.—USDA should be the lead Federal agency. The task force should work in partnership with State, local, and community-based organizations to address laws, regulations, and enforcement issues that affect farm workers. The task force should consist of, but not be limited to, the Departments of Agriculture, Labor, Health and Human Services, Education, Environmental Protection Agency, Internal Revenue Service, and Immigration and Naturalization Service. This task force should address the enforcement of existing laws that protect farm workers (Recommendations 8.1).

2. Appoint a Farm Worker Coordinator.—The Secretary should establish a permanent position within USDA to serve as the point person for coordination and outreach (Recommendation 8.1b).

3. Set up regional offices in targeted communities with large number of farm workers.—(Recommendation 8.1b).

4. Develop and implement a safety and health education program for farm workers.—Farm workers are often required to use extremely dangerous equipment for which they have no training. They are also required to handle dangerous chemicals with no instructions in chemical management and with no access to safety equipment. Even being transported to and from the fields may be hazardous when workers ride in overcrowded vehicles or on the backs of tractors. As part of this education program, USDA should set up agreements with local law enforcement authorities and departments of transportation to inspect and, if necessary, issue tickets for unsafe transportation or safety violations.

5. Compile an inventory of State pesticide policies.—USDA should coordinate this activity with EPA and State departments of agriculture (Recommendations 8.2).

6. Create opportunities for farm workers to become small farm owners.—Flexible funding will be needed to provide a variety of support services, as described in other recommendations dealing with small farm lending, agricultural cooperatives, and beginning farmers.

7. Develop flexible financial structures within rural areas to serve farm workers' needs.

8. Include farm workers in all disaster support loan programs.

9. Provide safe and humane housing for farm workers.—USDA should create an enforcement mechanism to ensure statutory compliance with housing codes. Federal and State governments should work jointly to ensure that large corporations and small farms are equally accountable for the humane housing of farm workers. The basis for this recommendation is rooted in the observation that many farm workers currently live in inhumane and substandard conditions, including substandard buildings with no toilets, heat, or ventilation. Such conditions exist on large and small farms alike, and the policies and regulations to correct these problems are not enforced. Migrant workers are especially abused through price escalation, overcrowding, and poor sanitation.

10. Create a national Farm Worker Registry.—USDA and State governments should jointly create an employment registry for farm workers that produces an identification card. This registry may be used as a potential employment list and a means of establishing basic financial benefits for farm workers, including credit, check-cashing, and savings.

11. Provide health insurance for farm workers and owners.—USDA should work with States and insurance companies to establish health benefits cooperatives that can provide affordable health insurance for both farm workers and small farm owners.

12. Provide financial assistance to small farms.—Some small farmers cannot afford the cost of providing their part-time or migrant workers with the working and housing conditions described in these recommendations. The Committee recommends that USDA create a mechanism that would allow small farmers to receive capital for necessary improvements to farm worker employment and living conditions.

13. Develop and disseminate bilingual information for farm workers regarding health, safety, and housing issues.

14. Provide bilingual education and training.—Farm workers need to be educated in their native language, at the local level, so they may safely and effectively do their jobs. This includes the training of children and adults on such issues as appropriate use of child labor, basic proficiency education, and life skills (banking, sanitation, etc.).

15. Change the way USDA inspects and evaluates humane working conditions.—Currently, evaluations focus on the number of farms inspected as opposed to the number of farm workers covered.

Some small farms are targeted for repeat inspections, while corporate farms go uninspected. The goal of USDA's inspection strategy should be to maximize the safety of as many people as possible. Reporting the number of farms (usually small ones) gives the false impression that a lot has been accomplished, while unfairly permitting corporate farms to escape evaluation. In addition, fines for violations of worker safety or housing regulations should be proportional to the level of farm assets.

Subcommittee on Outreach and Capacity Building

- Sue Bertrand, Chair
- Golden J. Hardy
- Archie Hart
- Calvin R. King, Sr.
- Dayle LaRue Aldridge
- Edgar J. Hicks
- Marion Long Bowlan
- Karen Armstrong-Cummings
- Don Crittenden
- Luz Bazan-Gutierrez

Assistance to Beginning Farmers

Subcommittee on Outreach and Capacity Building
Major Contributor: Marion Long Bowlan
Pennsylvania Farm Link, Manheim, Pennsylvania

The USDA Economic Research Service (ERS) estimates that, between 1992 and 2002, half a million older farmers may have retired, about 25 percent of all U.S. farmers. Farmers have always been older than other workers, and they are getting older. Today the average age of farmers nationally is 54.3 years, and there are three times as many farm operators over 65 as under 35. In fact, the percentage of farmers under age 35 declined from 15 percent in 1954 to only 8 percent in 1997, and the traditional pool of new entrants into farming—white males in their twenties growing up on family farms—has shrunk from about 700,000 in 1990 to about 365,000 today. Other groups, including women and minorities, have risen to the challenges of new farm entry, but the future of small independent farms, and the businesses that rely on them, will depend on a new generation of owners and operators.

At the same time, the barriers to new farm entry are greater than ever. Increases in productivity, supported by tax deductions that favor machinery purchases, have maintained farm output despite declines in the number of farms and farmers. In the process, however, the price of entry has risen. ERS estimates that it takes an average of $500,000 in assets to fully support a farm household; many potential entrants simply cannot accumulate (or borrow) the necessary capital and are shut out of new farm entry. Not surprisingly, beginning farmers with less than $150,000 in net worth operate only 2 percent of all U.S. farms and are far more likely to display financial stress than those with greater resources. Not surprisingly, many potential beginning farmers give up before they even get started.

Even established farmers are facing difficulty in retiring and turning their farms over to the next generation in a timely manner. These so-called “farm transitions” involve more than transferring the land (which is generally transferred through sophisticated estate plans) and assets (livestock, equipment, and facilities can be leased or sold in a variety of ways). Farm transitions also involve transferring human resources—the management skills and business experience that are needed to successfully operate a modern farm enterprise. Universities, community colleges, and other educational institutions place little emphasis on management skills for farm businesses.

Just as individuals in other businesses need time and experience to become Chief Executive Officers (CEOs), beginning farmers need time and experience to become successful farm business managers. In the past most farmers got this experience on family farms, but increasingly new farmers are coming from non-farm backgrounds. And there are fewer and fewer opportunities to gain this experience by working on a farm and taking it over gradually. Technical assistance should target all three types of beginning farmers: inheriting family farmers, former farm workers, and farmers from non-farm backgrounds.

It is with all of these factors in mind that the Committee makes the following recommendations, some of which are original and others that were previously made by the National Commission on Small Farms in *A Time to Act* (Recommendations 5.1, 5.3, 5.4, 5.6, 5.7, 5.8, 5.9, 5.10, and 5.12).

1. Change the eligibility requirements for beginning farmers.—The Administrator of the Farm Service Agency (FSA) issued a national policy statement clarifying and defining the documentation necessary to certify eligibility for beginning farmer programs. However, this policy appears to be inconsistently applied around the country. Some States require Schedule F, while other States are willing to use other documentation. Flexibility may be needed to deal with persons raised on a farm, interns, and farm laborers; consistent criteria must be both established and enforced in determining eligibility for services. FSA should identify the full range of documents that can certify eligibility and then issue guidelines accordingly.

2. Issue first-time farmer bonds.—*A Time to Act* asked Congress to authorize agricultural bonds to finance loans to beginning farmers, and to exempt those bonds from State Intermediary Relending Program caps under Federal regulations. FSA says that it is researching the feasibility of offering such bonds. FSA should report to the Committee on the status of this research.

3. Target Farm Credit System (FCS) loans to beginning farmers.—FCS has authorized a small farm and beginning farmer loan program in response to this recommendation. This program is targeted to the correct population, but it has had spotty implementation and is underutilized. FCS makes little use of FSA's guaranteed loan program, which is heavily utilized by commercial banks, to fund beginning farmers. The Advisory Committee commends FCS for taking the first steps in this process, but we urge that organization to move toward more loans for beginning farmers and the socially disadvantaged. Because utilization may be influenced by the philosophies of the managers and boards of directors of each association, the Committee urges FCS to review the composition and record of each board to ensure that it is carrying out the spirit of its charter in assisting the next generation of farmers.

4. Establish a Beginning Farmer Development Program to provide training and technical assistance to beginning farmers.—This recommendation called for collaboration among community-based organizations, land-grant universities, and State and local governments to form centers for beginning farmers and farm workers. These centers would provide beginning farmers with the information, technical assistance, mentoring, and training needed to make a successful start in farming. The Farm Link model currently has 19 programs in the United States and has gained a great deal of experience and expertise in meeting the needs of beginning and retiring farmers. Additional members are needed in States and constituencies that are not represented in the existing network. Matching funds will be needed to keep the existing program viable and to start new programs.

5. Establish a Beginning Farmer Revolving Loan Program.—*A Time to Act* asked USDA to seek legislative authorization for a Beginning Farmer Grant Program (Recommendation 5.6). FSA has indicated that there was little congressional interest in this program, and that the actual costs of carrying out such a program were higher than stated in the original recommendation. Because of this problem, the Advisory Committee now recommends that USDA establish a revolving loan fund to help beginning farmers and farm workers with either forgivable interest loans or 2 percent loans up to $7,500 per year for a maximum of $20,000 total over 5 years. These loans could help prospective farmers graduate from migrant worker to full-time worker, or from farm worker to farm renter or partner. According to one of the Advisory Committee members, every Federal agency except USDA has a revolving loan fund.

6. Change U.S. tax law to favor beginning farmers.—The National Commission on Small Farms called on ERS to coordinate a study of the effect of the current tax code on the transfer of farmland and on entry and exit from farming, and to recommend changes in the tax code that would facilitate the entry of a new generation of farmers (Recommendation 5.8). ERS did publish a study, "Regionalism, Federalism, and Taxation: A Food and Farm Perspective" (March 2000), that documents a comprehensive modeling framework to examine Federal and State tax policy. Two additional reports have also been compiled on "How Do Taxes Affect Food Markets" and "Current Tax Policy vs. a Flat Tax: Effects on U.S. Agriculture." However, copies of these reports were not available to the USDA Advisory Committee on Small Farms at the writing of this document.

The National Farm Transition Network (Network) has recommended that the tax code be revised to exempt from income the first $20,000 of income from the lease of farmland, facilities, or equipment to beginning farmers, using the current USDA definition of "beginning farmers." The Network has further recommended that States adopt similar income and property tax incentives to encourage new farm entry. The Advisory Committee is not aware of any actions that have been taken to date by USDA on these recommendations.

7. Establish an interagency Beginning Farmer Initiative.—In response to this recommendation (5.8), USDA appointed a Beginning Farmer Advisory Committee. However, this initiative was also to include research and education programs to promote low-capital entry, outreach with educational forums for rural communities, and collaborative partnerships. To date, these portions of the recommendation have not been implemented. The urgency of this initiative is demonstrated by the fact that half of our agricultural land is expected to change hands over the next two decades.

Funding is needed for the members of the National Farm Transition Network, so they can assist new farmers. Today, more than ever, the economic value added by farmers is in their return on management rather than their return on capital. A broad-based educational approach is needed that includes the use of diversification strategies, renting land and equipment, including share renting, forward pricing, hedging, future options, marketing strategies, and financial management strategies. While loan programs are needed, these types of efforts are just as important in getting new people into farming. Every effort should be made to provide funding and assistance for programs that fulfill this need.

8. Build programs and networks to support beginning farmers.—The National Commission on Small Farms called on USDA to spend at least part of its Fund for Rural America budget on programs for beginning farmers and small farms, and on networks that support them (Recommendation 5.9). The USDA Advisory Committee on Small Farms continues to seek the implementation of this recommendation. The National Farm Transition Network has recommended that $100,000 of matching funds be provided to linking programs that provide the technical assistance and comprehensive services needed by beginning and retiring farmers. Priority should be given to programs that demonstrate experience, a comprehensive approach, and the ability to generate matching funds.

9. Change the Federal tax code to facilitate farm transition.—ERS has been conducting research and analysis of financial and legal methods for the transfer of farms from retiring to beginning farmers. Recent initiatives to eliminate the Federal estate tax would have little effect on most farmers, since less than 1.5 percent of family farms have a net worth of more than $3 million. With some planning, estates of that size can eliminate Federal estate tax using the unified credit, the family-owned business deduction, special use valuation for the land, and discounts for co-ownership and entity ownership. Recent research indicates that while Federal tax policy generally favors farm owner-operators, State and local taxes can be disproportionately high for farmers, particularly in the Northeast and Great Lakes regions.

Helping African-American Farmers Re-enter Farming

Subcommittee on Outreach and Capacity Building
Major Contributor: Dayle LaRue Aldridge
Taft, Oklahoma

The Issue

Thousands of African-American farmers who lost their farms due to discrimination by the employees and offices of the former Farmers Home Administration have had their suits favorably adjudicated. Many of these farmers now desire to re-enter farming. However, USDA has made no effort to support their re-entry. To correct this situation, the Committee makes the following recommendations.

Proposed Actions

1. Develop special programs, with dedicated funding, to provide for re-entry of favorably adjudicated African-American farmers.—Earmarked funds that do not go directly to the favorably adjudicated farmers should be removed entirely from FSA, and should not be used for any other programs or purposes.

2. Reform and reorganize FSA to provide fair and equitable treatment to all farmers.

3. Demand full accountability from the USDA Office of Civil Rights.—This agency failed utterly in its responsibility to respond to farmers' complaints. It has yet to resolve the documented problems of discrimination and underservice. Problems in State and district offices have increased exponentially. If the Office of Civil Rights is unwilling or unable to carry out its duties, it should be reorganized entirely.

4. Demand full accountability.—If FSA and the Office of Civil Rights fail to carry out their responsibilities, and if favorably adjudicated African-American farmers who desire re-entry aren't served, there should be full and swift accountability of the individuals and offices responsible, at the States, regional, and national levels, including the Secretary of Agriculture.

5. Analyze NASS data to differentiate between African-Americans and other minorities.—The USDA's Census of Agriculture and other NASS surveys collect data on "minority" and "socially disadvantaged" farmers. When the numbers are broken down, however, these minorities are primarily Native American, Hispanic, even Hmong. Ironically, it was African-American farmers who alerted USDA to this systemic discrimination against minorities (including women), yet there are no statistics that can tell us if African-American farmers are still underserved. The best available data indicate the amount of land farmed by African-Americans continues to decline by 1,000 acres daily. For this reason, all reports and data collected by NASS should be separated by group.

Organizational Changes in USDA

Subcommittee on Outreach and Capacity Building
Major Contributors: Sue Bertrand, Heifer Project International, Little Rock, Arkansas, and
Jesse Harness, Alcorn State University, Mississippi

The Issue

The programmatic changes described in the preceding sections will not succeed unless there are accompanying changes in USDA's vision and policies, and in how the Department is organized. The Committee's policy recommendations are presented in the following section. Three specific organizational changes are described below.

Proposed Actions

1. Coordination of USDA small farms activities.—USDA is to be commended for the effort thus far made on behalf of small farms, especially in its recognition that many of these efforts cut across USDA mission areas. However, there is no central office charged with coordinating these efforts, and the activities in the various agencies sometimes seem to be working more or less independently. The Committee therefore proposes that USDA maintain an office to provide a focal point to coordinate USDA Small Farm Policy and Programs. This office should be provided with sufficient support staff to serve as a central clearinghouse for all USDA small farm activities. USDA should continue its structure for Small Farms Coordinators. This function was included in recommendation 2.1 of *A Time to Act*.

2. Establish the USDA National Office of Outreach.—It has been more than 4 years since the original recommendation to establish the Office of Outreach. Little effort has been made by USDA to empower this office; this is clearly not a satisfactory response. While the National Office of Outreach was originally envisioned as a much-needed resource for minorities, it clearly has a much larger role to play in assisting all small farms. Currently 93 percent of all U.S. farms meet USDA's small farm definition. With adequate funding, staffing, and grant authority, it is anticipated the Office of Outreach will eliminate the disconnect that currently exists between many USDA programs and their client base.

3. Establish a National Small Farm Center.—The 1890 land-grant universities have played a major role in undergraduate education, agricultural research, and outreach to urban and neglected communities. They now propose to create a National Small Farms Center to serve as a unique national model for the planning, management, and implementation of research, extension, and outreach programs to meet the needs of small farms and beginning farmers. This center will leverage the existing partnerships among the 1862 and 1890 land-grant universities; USDA, nonprofits, and it will be the centerpiece of a network of regional small farm centers located throughout the United States. Initial plans call for a annual budget of $5 million for the national center and $5 million for the regional network; they would control an outreach budget of $150 million per year and as much as 25 percent of all USDA research on small farm subjects.

Outreach and Technical Assistance to Small Farmers

Subcommittee on Outreach and Capacity Building
Major Contributor: Jesse Harness,
Alcorn State University, Mississippi

The Issue

Information is critical to small farmers in making management decisions, but efforts to meet this need have lacked funding and coordination. USDA has a responsibility to provide accurate information about its programs and services to all of its customers and potential customers. The 1890 land-grant universities have been given responsibility for developing and delivering new technologies for small farmers. However, these institutions are underfunded and overextended, and the Small Farm Outreach Training and Technical Assistance (2501) Program, which has been effective in meeting the needs of a limited number of farmers, has never been funded at its authorized level.

Since the publication of *A Time to Act*, USDA has established a National Office of Outreach and appointed outreach coordinators for the various agencies within the department. However, many of the resulting Federal programs have been designed on a “one size fits all” basis, whereas the needs of small farmers and ranchers vary widely with region, commodity, climate, resources, and local history. Land-grant universities and community-based organizations have developed and implemented their own outreach programs for this clientele, some of which reflect these local differences, but there has been limited coordination of programs and services on a national or regional level.

Proposed Actions

1. Establish outreach-coordinating councils at the Federal, State, and county levels.—These councils should include, but not be limited to, USDA agencies, land-grant universities (1890 and 1862), the Small Farm Outreach Training and Technical Program (2501 Program), community-based organizations, and nonprofit organizations, as well as State agencies with an outreach mission. Through these councils, USDA should encourage the formation of limited partnerships to expand the technical base of members and to provide increased services to small farmers. Such partnerships should be given high priority in receiving Federal funds to implement small farm programs.

2. Increase funding for small farm outreach and technical assistance.—The USDA Advisory Committee on Small Farms recommends that USDA request that Congress increase the appropriation for the Small Farm Outreach Training and Technical Assistance Program (2501) to the current authorized level. The Committee further recommends that the Secretary of Agriculture request that this authorization be increased to $20 million in 2002 and $25 million by 2004. In addition, the committee recommends that USDA request Congress to increase the appropriation for the Cooperative Extension System by $100 million per year, with 50 percent going to the 1890 Extension system and the remaining 50 percent to the 1862 and 1994 land-grant universities. Finally, the committee recommends that $10 million should be reallocated annually for the next 5 years from other agencies and designed specifically to meet the research needs of small farms.

Expected Outcome

Developing partnerships will enhance outreach opportunities and improve coordination of activities implemented by Federal, State, and local agencies as well as land-grant universities, community-based organizations, and nonprofit groups.

Special Assistance to Tobacco Farmers and Tobacco-Dependent Communities

Subcommittee on Outreach and Capacity Building
Major Contributor: Karen Armstrong-Cummings
Commodity Growers Cooperative, Lexington, Kentucky

The Issue

In *A Time to Act*, the National Commission on Small Farms recommended that USDA conduct a comprehensive study of the economic needs of tobacco-dependent regions and launch programs that target those needs (Recommendations 1.29 and 1.30). Since 1998, USDA has initiated the Kentucky Center for Cooperative Development, "Farm to School" programs in North Carolina, and other programs to assist farmers in Virginia and West Virginia. Only in May 2001, however, did the Presidential Tobacco Commission release its report.

The ten-member Commission, known formally as the President's Commission on Improving Economic Opportunity in Communities Dependent on Tobacco Production While Protecting Public Health, found that tobacco farmers and their communities face "an unprecedented economic crisis" due to declining demand for U.S.-grown tobacco both domestically and abroad, aggressive competition from cheaper foreign-grown tobacco, and high costs to modernize their operations. The report also concluded that the Federal Government has an obligation to address this crisis, because U.S. tobacco policy, through price supports and a marketing quota system, has produced a situation in which more people are involved in tobacco production than the system can support.

The report also detailed the public health toll of tobacco use, which kills more than 400,000 Americans every year and is the leading preventable cause of death in the United States. It found that, in tobacco-growing States, the smoking rates are higher on average and residents suffer disproportionately from smoking-caused harms. Unfortunately, the Commission did not address the changes in farm policy that would be needed to help tobacco farmers diversify their operations.

Proposed Actions

The Advisory Committee on Small Farms endorses the following recommendations of the Presidential Tobacco Commission, which are designed to assist small farmers who grow tobacco and the communities that are dependent on the growth and processing of this crop:

1. Replace the quota system.—Adopt a Tobacco Equity Reduction Program (TERP) to replace the current quota system with production permits that would be held only by active tobacco growers. Unlike quotas, TERP permits would not be marketable assets, thereby ensuring that the new system does not foster the same economic dependence on tobacco as the current one.

2. Compensate quota owners.—Quota owners and growers should be compensated for the loss of their quota assets. Small farmers and quota owners, the bulk of those who will benefit, would receive all of their payment in the first year.

3. Establish a Center for Tobacco-Dependent Communities.—This center would help communities making a transition from tobacco-based economies by providing technical assistance and education on supplemental crops, economic diversification in rural communities, new technologies, alternative uses for tobacco that do not harm public health, and other topics.

4. Regulate tobacco.—The report recommended that Congress grant the Food and Drug Administration (FDA) the authority to regulate the manufacture, sale, marketing, distribution, and labeling of tobacco products. This authority should be comparable to the FDA's authority over other products, but it is not intended to prohibit the use of tobacco products by adults. States should do more to fund comprehensive tobacco prevention and cessation programs, and those that meet minimum funding recommendations of the U.S. Centers for Disease Control and Prevention should be eligible for additional Federal assistance. Funding for smoking cessation should be included in basic Medicaid and Medicare coverage.

5. Increase cigarette taxes.—To fund the recommended programs, the Commission called for a 17-cent increase in the Federal excise tax on cigarettes. During the first 5 years, all of the funds would be used for the benefit of tobacco farmers and their communities. During the second 5-year period, funds would be used to support State tobacco prevention and cessation programs and the activities of the Center for Tobacco-Dependent Communities.

Subcommittee on Framework for Support and Responsibility (Policy)

- Jon W. Anderson, Chair
- Archie Hart
- George L. Siemon
- Calvin R. King, Sr.
- Dayle LaRue Aldridge

Policies To Ensure a Framework of Support and Responsibility for Small Farms

Subcommittee on Framework for Support
and Responsibility

The Issue

Small farms have been the foundation of our Nation, rooted in the ideals of Thomas Jefferson and recognized as such in core agricultural policies. The time has come to renew our historical commitment to small farms, to recognize the contributions of farmers, and farm workers, and to envision a role for them in the 21st century.

The USDA Advisory Committee on Small Farms believes that small farms will be stronger in a system that emphasizes the skills and ingenuity of the individual farmer. We envision a framework of supportive initiatives by government and industry, the application of appropriate research and extension, and the stimulation of new marketing opportunities. As small farms and farm workers thrive in this nurturing environment, they will contribute not only to our food supply but also to the vitality of local economies and rural communities across the United States. Small farms can and will contribute to the strengthening of society, providing opportunities for self-employment and ownership of land, as well as nurturing places to raise families.

Public policies that recognize the value of small farms are essential to the realization of this vision; so too are policies that recognize and reward the contributions of farm workers and their families. The National Commission on Small Farms established eight policy goals in its report, *A Time to Act*:

1. Recognize the importance and cultivate the strengths of small farms;
2. Create a framework of support and responsibility for small farms;
3. Promote, develop and enforce fair, competitive, and open markets for small farms;
4. Conduct appropriate outreach through partnerships to serve small farm and ranch operators;
5. Establish future generations of small farms;
6. Emphasize sustainable agriculture as a profitable, ecological, and socially sound strategy for small farms;
7. Dedicate budget resources to strengthen the competitive position of small farms in U.S. agriculture; and
8. Provide just and humane working conditions for all people engaged in production agriculture.

Proposed Actions

The Committee commends USDA for its progress in working to address these policies, and we encourage USDA to renew its commitment to these values and the goals they embody. To provide USDA with guidelines in this effort, the Advisory Committee on Small Farms offers the following elaborations and additions to these policies:

1. USDA should be the People's Department.—It should focus its efforts on service to people, not on commodities or products, to address the entire food system, including the people who produce and consume food. USDA should return to its roots, as established by President Lincoln, to be the People's Department.

2. USDA should focus its efforts on service to farmers, ranchers, and farm workers.—All agencies within the Department should review current program rules and regulations for flexibility to fit the needs of small farmers, ranchers, and farm workers. All new rules and programs should be developed with the necessary versatility to address the needs of these groups and specific regional production requirements. All line program targets should be reviewed for their effect on supporting small family farms.

3. USDA should enforce fair, competitive, and open markets for small farms.—USDA should give priority to including a comprehensive competition title in the 2002 Farm Bill, including attention to amendments of existing USDA authorities to address antitrust enforcement, price discrimination and transparency, cooperative development and support, protections and bargaining rights for contract producers, and agricultural marketing innovations and alternatives. The trend toward concentration and vertical integration in agriculture has forced competition policy to the top of the list of concerns for many producers. As agribusiness firms consolidate, small farmers find themselves with a dwindling list of options for marketing their products and are often entirely shut out of marketing opportunities.

4. USDA should establish an Office of Small Farm Coordination.—As part of an agency-wide framework of support and responsibility for small farms, USDA should establish an Office of Small Farms, directly within the Office of the Secretary. The Director of the Office should report to the Deputy Secretary. USDA should establish the necessary management infrastructure with financial support to ensure that the Departmental Policy on Small Farms is demonstrated in all USDA field offices. USDA should implement a management system, which ensures that monitoring, and accountability procedures are firmly in place to enact the most responsive programs.

5. USDA should renew its commitment to cooperatives as a vital component of both agricultural and rural policy.—USDA should promote, support, and implement those policies that will provide a comprehensive cooperative policy for America, including small farmers, retail, credit unions, housing, and other cooperative ventures. USDA should provide funding to ensure that cooperative development staff are available throughout the States and regions, and that training and technical assistance funds are available to nongovernmental and community-based organizations, which provide cooperative development support for small farmers and rural communities. USDA should work to ensure that the cooperative development programs are elevated to the agency level, which will adequately address the linkages, coordination, funding, and cross-cutting implementation of cooperative programs throughout the mission areas. USDA should target its cooperative development funds to those States and university programs that have already made a strong financial commitment to cooperative development.

6. USDA should work to enhance the quality of life for all individuals involved in food production.—This would include not only farmers and farm workers, but also ranchers, processors, contract farmers, and direct marketers. USDA should emphasize the regional aspects of small farmers' and ranchers' concerns and work to ensure that the infrastructure of support is appropriate to the regional needs with respect to social, economic, and environmental considerations, as well as the availability of existing infrastructure, including university, research, and extension personnel.

7. USDA should reach out to traditional and nontraditional agricultural support organizations.—These organizations can provide assistance in outreach and service delivery to their constituencies, as well as collecting feedback on the needs of the communities they represent. USDA should provide technical and financial support of established programs within those organizations that complement USDA's own goals and programs.

8. USDA should actively work to educate consumers on the vital contributions of farmers, ranchers, and farm workers.—This should include farm economics, the cost of production, investment costs, wages, profit margins, environmental benefits, quality of life, and risks associated with production of food and fiber. The end product of this effort is the ability to keep America fed with the safest, highest quality, nutritious food at the lowest consumer cost in the world.

9. USDA should include small farm operators and workers in its planning activities.—Rural Development State Directors, FSA State Executive Directors, and NRCS State Conservationists should include small farm operators, farm workers, and community-based and nonprofit organizations in their strategic planning processes.

10. USDA should fully fund and staff its Office of National Outreach.—This office should have appropriate authorities, mandates, and support from the Secretary to fulfill the mission of the small farm council and the goals of the Department.

11. USDA should make small farms a department-wide priority.—All agencies within USDA should analyze their budgets to reflect their efforts in achieving the Department's goal of supporting small farmers. This analysis should include an analysis of their budget for program benefits and gaps in supporting small farms. This information should be used in the development of future budget requests with emphasis on addressing these gaps. Each agency's strategic plan should incorporate a section on how it will address the needs of small family farms. USDA should also work to ensure that small farms have priority access to financial and technical assistance from all agencies and programs within the Department.

12. USDA should work with the Environmental Protection Agency (EPA) to coordinate program efforts in environmental protection and worker safety.—Implementation should include adequate funding and program monitoring to ensure fair and equitable programs for small farmers and farm workers. These agencies should cooperate to ensure that the impact that environmental and conservation programs have on small farms is addressed.

13. USDA should work for changes in the tax code.—USDA should work with Congress, the Internal Revenue Service, and all appropriate agencies to restructure current tax regulations related to investment, property transfer, and revenue streams that affect small family farms and cooperatives. This restructuring of the tax system will ensure that programs promote and stabilize the financial basis of small farmers and ranchers.

Appendix 1 USDA Advisory Committee on Small Farms Charter

U.S. Department of Agriculture
Washington, DC
DR No. 1043-46 November 16, 1999
Office of the Chief Economist

1 PURPOSE

a This regulation establishes the Advisory Committee on Small Farms (Committee). The purpose of the Committee is to gather and analyze information regarding small farms and ranches within the United States and its Territories. The Committee will recommend to the Secretary of Agriculture actions to take to enhance the viability and economic livelihood of small farms and ranches within the United States.

b The Committee is in the public interest and within the duties and responsibilities of the Department of Agriculture (USDA). Establishment of the Committee also ensures the continued consideration and implementation of the recommendations made by the National Commission on Small Farms in its report "A Time to Act."

2 SPECIAL INSTRUCTION

a This regulation will expire two years from the date of filing.

b Unless renewed, the Committee will terminate two years from the date of filing.

3 OFFICERS AND MEMBERSHIP

a The Committee will have 19 members, one of whom will serve as Chair and be appointed by the Secretary of Agriculture and one of whom will serve as Vice-Chair as appointed by the Committee. Members will represent small farms, ranches, and woodlot owners and will represent the diverse interests that USDA programs serve, including but not limited to, finance, commerce, conservation, cooperatives, nonprofit organizations, rural communities, academia, State, local governments, women and minorities, farmworkers, and other interests as the Secretary determines.

b USDA will follow equal opportunity practices in making appointments to the Committee. To ensure that recommendations of the Committee take into account the needs of the diverse groups USDA serves, membership will include, to the extent practicable, individuals with demonstrated ability to represent minorities, women, and persons with disabilities.

c The Secretary of Agriculture shall make all appointments to the Committee and the members will serve at the Secretary's discretion.

d Members will serve two-year terms. In the event of a vacancy, the Secretary will appoint a new member as appropriate and subject to the provisions of the Federal Advisory Committee Act.

e The Committee may establish subcommittees as it determines necessary subject to the provisions of the Federal Advisory Committee Act and the approval of the Chair or the Chair's designee.

4 DUTIES

a The duties of the Committee are solely advisory. The Committee will monitor government and private sector actions, policy, and program proposals that relate to small farms, ranches, and woodlots, including limited—resource farms, ranches, and woodlots- and evaluate the impact such actions and proposals may have upon the viability and growth of small farms, ranches, and woodlots.

b The Committee will review USDA programs and strategies to implement small farm policy advise the Secretary on actions to strengthen USDA programs and evaluate other approaches that the Committee would deem advisable or which the Secretary of Agriculture or the Director of Sustainable Development and Small Farms may request the committee to consider.

c The Committee will advise the Secretary through an annual report and other means as necessary and appropriate.

5 ESTIMATED ANNUAL OPERATING COSTS

a Committee members will serve without pay. Reimbursement of travel expenses and per them cost shall be made to Committee members who would be unable to attend Committee meetings without such reimbursement.

b Annual operating costs are estimated to be $150,000, including 0.5 staff year.

6 NUMBER AND FREQUENCY OF MEETINGS

a The Committee will meet as necessary to perform its functions as determined by the Chair and within budgetary constraints.

b The Committee will hold at least one public meeting per year, and conduct working sessions and teleconference calls as determined by the Chair.

c The Committee may hold additional public meetings, forums and/or hearings to solicit public comments as necessary and appropriate within budgetary constraints.

d The designated Federal official will be responsible for the prior- approval of the agenda for all Committee meetings and notification of Committee meetings and agendas in the Federal Register.

e The designated Federal official will be responsible for taking and maintaining the minutes of the Committee meetings.

7 REPORTS

The Committee shall submit an annual report to the Secretary of Agriculture.

Appendix 2 Acronyms/Abbreviations

AMS	Agricultural Marketing Service
APHIS	Animal and Plant Health Inspection Service
B&I	Business and Industry
CEO	Chief Executive Office
CRAT	Civil Rights Action Team
CRP	Conservation Reserve Program
CSREES	Cooperative State Research, Education, and Extension Service
EBT	Electronic Benefit Transfer System (Food Stamp Program)
ERS	Economic Research Service
EPA	Environmental Protection Agency
EQIP	Environmental Quality Incentives Program
ERS	Economic Research Service
FAIR	Federal Agriculture Improvement and Reform Act of 1996
FCS	Farm Credit System
FDA	Food and Drug Administration
FIP	Forestry Incentives Program
FMNP	Farmers Market Nutrition Program
FS	Forest Service
FSA	Farm Service Agency
FSMIP	Federal-State Marketing Improvement Program
GMO	Genetically Modified Organisms
GRI	Gross Revenue Insurance
IRP	Intermediary Relending Program
IRS	Internal Revenue Service
MRP	Marketing and Regulatory Programs
NASS	National Agricultural Statistics Service
NRCS	Natural Resources Conservation Service
OBPA	Office of Budget and Program Analysis
OCR	Office of Civil Rights
OFPA	Organic Food Production Act of 1990
RBS	Rural Business-Cooperative Service
RD	Rural Development
SARE	Sustainbale Agriculture Research and Education
SIP	Stewardship Incentive Program
TERP	Tobacco Equity Reduction Program
USDA	United States Department of Agriculture
VADG	Value Added Development Grant
WHIP	Wildlife Habitat Incentive Program
WIC/FMNP	Women, Infants and Children/Farmers Market Nutrition Program

United States Department of Agriculture
Research, Education, and Economics
Small Farms Coordination
14th & Independence Avenue
Washington, D.C. 20250-3810

www.usda.gov/oce/smallfarm/