

SMALL FARMS IN AMERICA—THE DIVERSITY OF PROBLEMS AND SOLUTIONS

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During the past year, I have devoted considerable time to problems facing small-to-moderate-scale family farms (abbreviated small farms) and the appropriate solutions to those problems. The purpose of this paper is to share with you some of the preliminary findings of this effort.

The NRC Small Farms Project

The National Rural Center Small Farms Project was started in 1975. NRC has provided substantial funding to support the project, and has taken the leadership in assembling a critical mass of funding from various sources to support the project.

Six principal concerns dictated the design of NRC's small farms policy project:

1. There was no generally agreed upon definition of small farms.
2. Little effort had been made to pull together the existing body of knowledge about small farms.
3. There was no generally agreed upon issue framework around which to organize the information collected.
4. The results of the project must be tested against the problems identified by actual small farm operators and must reflect the wide diversity of conditions found in different regions of the United States.
5. Policymakers at the federal level need facts and figures to win support for any policy or program initiatives the federal government might undertake on behalf of small farm families.
6. No unified small farms constituency exists, though interest in the future of small farms can be found among a wide range of practitioners, academicians, public interest organizations, and policymakers.

Given those concerns, it seemed appropriate to proceed with a process designed to involve a broad spectrum of people, to deal in a structural way with the issues important to small farm families, and to build on existing research whenever possible. It was decided to build the project in three phases, with the work of each phase reviewed at a workshop involving a broad spectrum of knowledgeable people.

The task in Phase I was to agree on a definition of a small farm family and to identify barriers which hinder these families from increasing on-farm income. In Phase II, carefully selected teams of experts called issue groups are to review the state of knowledge on each of those barriers, to determine which issues have been answered by research and/or experience and which issues deserve additional research. The goal of Phase III is to develop a set of federal policy recommendations based on the findings of Phase II. The final product of the project will be a published report recommending a federal small farms program consisting of policy and program changes and initiatives and an agenda of research and demonstration projects.

More specifically, Phase I began with the creation of an advisory committee to plan an approach to reach consensus on a small farm definition and on the barriers which hinder those families from increasing their on-farm income. In approach to these questions, the planners started with just two preconceptions:

1. The final definition must be flexible enough to reflect different conditions found among different regions of the country and among different kinds of farming within as well as among regions.
2. The emphasis was to be on learning what, if anything, government could do to assist small farm operators to increase their on-farm income.

In addition, it was agreed that small farm operators and persons working with small farm families were to be involved to help ensure the project dealt with real life problems. Further it was agreed that the project should strive to discover what common grounds, if any, existed among the various groups expressing interests in the future of small farms in this country.

With those preconceptions in mind, it was decided to pose the Phase I questions to participants at a small working conference. The four papers prepared for the conference offered (1) a historical view of federal policy and the small farm; (2) a discussion of the implications of various small farm definitions; (3) an overview of selected existing programs designed to assist small farm operators; and (4) a report on the implications of a rural income maintenance experiment on programs for smaller farms.

A panel of small farmers and experts identified several areas as

significant to small farms:

1. The disenfranchisement of small farmers from conventional marketing channels, and the effect of marketing regulation on the ability of small farmers to market their produce competitively.
2. The wide variation in definition of a small farm among geographic regions and type of enterprises, and the relationship between definition and the quantitative criteria used for measurement, such as acreage, number of livestock, gross sales, net income, amount and source of labor, and ownership of capital.
3. The institutional biases against small farms, such as: access to credit and benefits from government programs, research priorities of both the public and private sectors that promote capital and energy intensive technologies, and the lobbyists who represent the interests of larger farmers and agribusiness.
4. The ability of small scale farms to improve their economic viability when provided with adequate and appropriate technical and financial assistance.
5. The prohibitive effects of the capital requirements for entry into farming.

After much debate, the conference adopted the following definition of "small farm" for purposes of the project:

1. The family or individual must rely on farm income for a substantial share of their livelihood.
2. The operating family or individual must manage or control the farm business and must contribute the majority of the farm labor (except in peak seasons).
3. To be considered a "small" operation, the family or individual income must be moderate or less.

By using a total family income test of a moderate level, the definition is intended to rule out hobby farms of the wealthy, but to include successful as well as marginal small farms. And by using a test of "substantial income," the definition recognizes that most small farm families have off-farm as well as on-farm income.

Phase II, the preparation of papers by eight teams of experts or issue groups, is nearly completed. The first issue group is concerned with societal values and goals regarding small-to-moderate-scale family farms.

One of the principal questions in this issue is why be concerned with small farms? Who cares? To what extent does society have a vested interest in the maintenance of small farms? Why should there be any more concern about the demise of small farms than any other kind of business? We're placing these questions in a broad historical perspective, looking at 18th and 19th century views as well as contemporary views. We notice a major incongruity, in that even though farm policy has discriminated against the small farm in many ways, the small farm itself has been used to justify public policy.

The second issue group is concerned with production efficiency, technology and technical assistance. The conventional wisdom is that large farms are inherently more efficient than small-to-moderate-scale farms. We're having a paper written which will critically review the old economies of scale work, to detect the sins of omission and commission in that work. We are looking for a critical examination of the theoretical and philosophical underpinnings of that whole body of knowledge, plus an update and an agenda for further research. Other papers related to extension and other forms of technology transfer, physical science research, and mechanization are being written by members of this issue group. Also under consideration are the institutional barriers to the success and survival of small farms.

The third issue group is concerned with marketing. What marketing systems are now being used by small farmers? Are there special barriers or problems faced by small farmers entering traditional marketing systems? To what extent does direct marketing provide a useful mechanism to help small farmers? Under what conditions does direct marketing work? We are trying to synthesize the existing body of knowledge and then point the direction to further research. Similar questions are being studied with regard to cooperatives and ordinary institutional marketing.

Issue group number four deals with energy. Questions such as the following are being asked: How much fossil fuel currently is consumed by various sectors of production agriculture including the small farm sector? How does the energy intensiveness of agriculture vary with size? To what extent can farmers in general and small scale farmers in particular contribute to an overall national energy conservation effort? What kinds of on-farm energy sources can we reasonably count on in the future? Which kinds seem to be most suitable for small farms? At current prices, how much of a subsidy would be required to make some of these economically viable? What kind of institutional changes are needed to facilitate on-farm energy sources?

Issue group number four deals with energy. Questions such as the following are being asked: How much fossil fuel currently usually characterized as price-income policy; they are also looking at capital and credit policies. What is the differential impact of these programs with regard to small-scale operations?

The sixth issue group deals with taxation. Is the tax system progressive for farmers? The existence of special tax preference specifically for farmers may destroy the progressivity of tax systems. Are there tax shelter provisions that work to the detriment of small scale farms? The group will also look at property taxes and the effects that initiatives of various state legislatures have had, such as tax subsidies to small farms. The central focus is the extent to which the tax structure gives an unfair advantage to large operations as opposed to small ones.

Issue group number seven examines the role of off-farm income in determining the economic well-being of small farm families. What are the major barriers small farm families face in securing and obtaining off-farm employment? And what are the relationships between level of off-farm earnings and the efficient use of available farm production resources?

The eighth and final issue group is on structural change and information needs. They're looking at several policy questions. First, what are the major structural characteristics of U.S. farms, and have these changed in recent decades? Second, what are the major forces and conditions bringing about changes in farm structure and characteristics? Third, given the existing trends in our knowledge of their causes, what further structural changes are likely in the future? What are the major problems associated with the present farm structural characteristics? To what extent does the change in structure imply a social and/or economic problem? And what will be the major direct and indirect consequences for the nation in the future? What means will be necessary to achieve desired alterations in the direction and rate of farm structural change? This issue group is also considering the kinds of longitudinal data required for identifying structural characteristics. They will suggest changes in the data collection processes that will be necessary to understand the structure of agriculture, how it is changing, and the forces shaping it.

The Five Regional Small Farms Conferences

While the state-of-the-arts papers perform an indispensable role in the formation of an informed basis for a research agenda and policy statement, there is still no substitute for direct hands-on experience. For this purpose, I conducted a series of small farm site visits, and attended five regional conferences of small farmers. These conferences were sponsored by U.S. Department of Agriculture and the Community Services Administration, for several purposes. The foremost purpose was to identify problems facing U.S. small farms. Another purpose was to bring pressure to bear for improving the policies and programs in behalf of small farms. Another, perhaps hidden agenda, was to develop a political constituency of small farmers.

The selection process is crucial to the determination of the kinds of inferences one can legitimately make from the data collected from the delegates. Unless representative samples of small farmers in the nation were present, one cannot infer that the conferences constituted a voice of the nation's small farms. Each state selected more or less autonomously its quota of eight delegates from persons nominated by local CSA agencies (usually Community Action or similar groups) and USDA agencies (such as Extension, FmHA, SCS, Forest Service, and ASCS). Since the USDA agencies have far more contact with farmers than the CSA agencies (in all or nearly all states), there was a tendency for most of the delegates to come from the pool of USDA nominees.

The persons in charge of selecting delegates were given no precise definition, such as \$20,000 gross sales, or any other such definition to work with; they were simply told to go out and find what they consider to be small farmers. Many of the delegates were successful family farmers; a few were disenfranchised small farmers. Some were blacks; a few were Chicanos. But it seemed as though there had been an honest effort to get some kind of cross-section with regard to age and race, size and type of farming, and so forth.

Clearly not all of the delegates were "small" farmers, according to almost anybody's definition. But I think they were all "family farmers," according to the usual definition of that term. The conferences provided an opportunity to hear the complaints and the concerns of nearly 400 family farmers from all corners of the United States.

Since no data were collected from all the delegates to ascertain the size and other dimensions of their farms, we may never know for sure which segments of the small farm population were represented and which kinds were omitted. This may seem like methodological nit-picking, but I consider it a major issue. Why? Because the "data" from these conferences will, I predict, be used extensively by public policymakers, the press, and others as the voice of America's small farmers. This is a problem not just for the methodologist, but for anyone who is concerned that public policy be founded upon truth, upon the best possible approximation of the truth that can be obtained. The tabulated data of concerns and priorities generated by these conferences are interesting and useful for a very limited purpose of reflecting (albeit imperfectly) the opinions of the select group of family farmer delegates selected for these conferences. The data constitute an "imperfect" reflection of the concerns and priorities of the delegates, because of several procedures used in collecting the data.

For example, some of the discussion leaders directed the delegates to prioritize the issues in terms of what they as individual farmers considered most important. Other discussion leaders instructed them to prioritize from the standpoint of the community from which the delegate was selected. Combining this with other procedural complaints, there is no way, from a scientific standpoint, one could claim that the conference data are an unbiased estimate of the concerns or priorities of the population of U.S. small farms. And yet, I would be willing to bet the data will be widely and frequently interpreted that way.

What were the major complaints and concerns of the delegates? Their ideas seemed to fall roughly into three categories: (1) Administrative change, things that can be done by administrative fiat by the agencies themselves, such as Farmers Home Administration, (2) legislative change, and (3) funding.

There were many complaints about Farmers Home. The principal complaint was it takes too long to get any action on loan applications. Another was that technical assistance is no longer provided with FmHA loans. There were many other complaints, such as too high interest rates, and unrealistic repayment schedules. Farmers Home officials at the conference said that actions are being taken to expedite loan applications and to meet certain other complaints.

“We need 100% parity prices,” was a predominant battle cry throughout each of the conferences. The delegates complained bitterly about the “cheap food” policy of the administration. Unfair manipulation of prices by big business and by government (such as allowing beef imports to suppress beef prices) was another frequent complaint. Unfair competition by wealthy tax loss or hobby farmers with high non-farm income was a familiar refrain at the conferences.

Complaints about USDA, OSHA, and EPA were quite widespread. The intensity of specific complaints varied from region to region. Delegates complained that CETA was an unfair competitor; they are paying higher wages than the farmers are accustomed to paying.

Another concern was the drastic increase in land prices. This is apparently having very mixed effects. Those who currently own the land are sitting back smiling as land prices rise from \$3,000 to \$5,000 an acre; they're reaping huge paper gains. At the same time, they are required to pay increased property taxes because of the inflated land values. Furthermore, land price inflation adds to the hardship of those who are trying to expand their operations or get started in farming. Some delegates complained of competition from nonfarm investors and foreign investors bidding up the prices of farmland. There were complaints in all regions about the difficulty of inter-generational transfer of farm property — especially about inheritance taxes.

Since most of the participants at this conference are Extension specialists, I would like to share with you some impressions gained from the regional conferences and from various site visits.

1. First, with regard to technical assistance, technology transfer, the general question of increasing the productive efficiency of small farms — the basic ingredient is an excellent agricultural research and extension program, serving commercial agriculture as a whole.

2. In some locations, Extension is actively and (apparently) effectively serving small farmers. In other locations we see overt hostility toward small farms. In others an aura of indifference prevails. Perhaps the funding for small farms research and Extension (if in fact any substantial funding ever materializes) should be made available to competing organizations, both inside and outside the Land Grant-USDA complex. I seriously propose that it be tried with a respectable level of funding and critically evaluated.

3. Another impression is that even if small farmers receive excellent technical assistance and production-oriented research, and even with adequate credit, all that adds to zero unless they have an adequate market. This seemingly obvious point is frequently overlooked.

4. Because of the cultural, climatic, and resource diversity of this nation's agriculture, it seems unlikely that a single approach will work equally well in all locations. There will always be a high pay-off to local adaptation and ingenuity in designing and implementing programs to serve small farm families.

5. I see great danger in the tendency to uncritically endorse anecdotal "success stories" as being the panacea for all small farms in all locations. Frequently an approach (such as direct marketing or production of some specialty crop) may be found to greatly increase the incomes of one or a few farmers. And yet, when many other farmers try the same approach, the results are often disastrous for a variety of reasons. In some cases, last year's success depended upon an unusually high price, or access to a rather limited local market. Or a seemingly successful pilot program may turn out to be non-repeatable because of a careful screening and selection process used in the pilot stage.

6. A concerted effort needs to be initiated to develop an evaluation system that will be useful to those persons attempting to design and implement small farm projects.

Conclusion

The purpose of this paper has been to discuss the diversity of problems and solutions associated with small farms. I have described a current effort to create a series of state-of-the-arts papers dealing with several important issue areas thought to be important to the continued survival and success of small farms. The end product of that effort will be an agenda for future research and a policy implications statement. Since that project is still in the reporting stage, no definitive findings can be offered here.

I have also presented impressions gained from attending a series of five regional conferences, ostensibly composed of small farmers, and from several site visits. And finally, I have offered some suggestions and observations regarding ways to improve the effectiveness of efforts in behalf of small farm families.