

The following pages are the executive summary and the first chapter of a report available in full from Julie Francis, Department of Primary Industries.

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Recognising the Value and Potential of Small Farms; Learning from the USA

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Background

The Victorian Department of Primary Industries' (DPI) Science Quality Unit provided funding for travel to the United States of America (as part of the Scientific Exchange Program) between March and August 2001. The International Programs Division of the Natural Resources Conservation Service (NRCS), United States Department of Agriculture (USDA), in part facilitated the visit.

The purpose of the visit was to establish networks and learn from people involved with agricultural extension, alternative agricultural enterprises, innovative marketing structures, small farm policy and sustainable agriculture. Proposed outcomes of the travel included identifying opportunities to:

- Include new and innovative extension tools into the delivery of extension packages by DPI to Victorian farmers;
- Link with scientists working in the areas of extension, training and new/emerging industries; and
- Contribute towards the development of a Victorian Future Family Farms initiative;

A further purpose of the visit was to increase personal education and extension skills through formal training and from working with extension colleagues overseas.

For further information about the exchange, or USA contacts, please email julie.francis@dpi.vic.gov.au

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Modern agriculture in the USA has been highly successful at what it was asked to do; produce cheap, bulk commodities using as little labour as possible. But, that success has come at a price, and in many cases with hidden costs that are just now being recognised. Farmers have increased their reliance on government programs at the same time environmental quality has decreased, and we are still losing farms, especially the midsize ones. In addition, there appears to be no additional benefits to society from continuing down this path. Kirschenmann and Duffy, 2002.

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In both Victoria and the USA, increasing numbers of small farmers are now managing a growing amount of land. These farmers provide diversity in ownership, landscapes and agricultural production systems; delivering important cultural, aesthetic and environmental values. Small farms contribute to economies by generating wealth, providing employment and creating tourism opportunities. Small farmers can play a significant role in helping rural communities retain businesses and services; helping to maintain a more viable population. Larger populations also sustain community groups, which provide social capital.¹ For these reasons it is important for Victorian institutions² to consider small farmers in program and policy development.

This report is based on a visit to the USA and reviews of two major American investigations into small farm policy. It is intended to provide an overview of current small farm issues in the USA and outline the potential of small farms. Discussion is also included on how this potential may be nurtured for the benefit of Victorians.

The USA federal government has identified a range of values attributable to small farms and has developed policies and programs to support their continued existence. For small farms to be viable it is necessary to increase their profitability and experience in the USA has shown that there are many successful approaches towards achieving this outcome without increasing farm size; including:

- Reducing farm input purchases through better management skills (including techniques such as rotational grazing and integrated pest management);
- Reducing the length of the supply chain, from farm gate to consumer (direct marketing);
- Group production and marketing to either increase volume produced (thereby opening new markets) or reduce the cost of inputs by bulk purchases or sharing of equipment;
- Diversification (including agritourism);
- On-farm value-adding; and
- Intensifying operations (although this can be unpalatable for some small farmers and their neighbours, costly and/or can raise environmental and animal welfare issues).

Direct marketing to consumers and development of local food systems³ are in their infancy in Australia. However, changing consumer preferences, including concern for environmental and social aspects of food production, should provide increased opportunities for small farmers to meet demand from targeted sections of the market. Direct marketing to these sectors will allow small farmers to access a greater share of the consumer dollar. Direct marketing and local food systems also serve a community

¹ Social capital is described as the raw material that holds communities together through participation of members in community networks, reciprocity, trust, social norms and proactivity (Alston, 2002).

² Institutions include the organisations formed by government, industries and communities and their policies and programs (Gleeson and Piper, 2002).

³ The local or regional food economy is an alternative marketing channel, based on face to face relationships, where small farmers play a central role by producing community food and fibre needs (NCSF, 1998).

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building function and can help reduce the rural-urban divide. Facilitating the development of direct markets and local food systems may be a legitimate government policy, in view of the benefits they can provide to both local communities and the wider economy.

For small farmers to take advantage of business and market development opportunities, training and support is required. Provision of such assistance will facilitate diversification, enhance viability and build the capacity of rural communities. Opportunities for Victorian institutions to assist small farmers in business development include:

- Providing information and training in business development and marketing for entrepreneurs;
- Facilitating networking and formation of cooperative business structures;
- Ensuring a focus on domestic as well as export markets;
- Coordinating information relating to small farm business opportunities; and
- Ensuring laws and regulations do not unnecessarily or inadvertently hinder small farm business development.

In addition to business development, small farmers need the support of well-rounded research and extension programs. It is likely that small farmers will benefit more from research and extension programs that are holistic rather than specialist in nature, unlike farmers on larger properties, who may require production information on specific commodities. Small farmers will also benefit from targeted programs that take account of resource and size limitations:

Innovative businesses need to be designed to optimise the mix of labour, capital, and natural resources to the size and scale of the farm. Many [small] farmers are looking for opportunities to use knowledge- and management- intensive production systems, rather than capital- intensive methods (HAWCAEP, 2001, p31).

In the USA, bias in past research, extension and policy has been identified. This bias was highlighted as being towards high input, high cost, large sized farms, producing bulk commodities. There may be a need to reflect on Victoria's systems to identify if any unintended bias exists here as well. Suggestions to better cater for small farmers include:

- Ensure small farmers are involved in stakeholder meetings and on steering committees;
- Ensure extension staff and programs are accessible to all, this includes considering the times courses are offered and communication with multicultural clients;
- Facilitate small farmer networks, as sources of information and learning;
- Raise awareness, within Victorian institutions, of the values of small farms, to help ensure that future policy and research directions recognise and promote their benefits, and that small farmers are considered capable of providing creative opportunities to address environmental, economic and social concerns;
- Place greater emphasis on business development and marketing skills for advisors working with this sector;

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- Initiate research and extension programs focussed on low up-front cost (often therefore also low technology) farm management strategies. This could have applications for all sized farms. Rotational grazing and pruning of farm forestry trees are examples of low-cost strategies, which can improve economic and environmental sustainability;
- Establish a research and extension initiative focussing on strategies to improve farm income for small farmers. Much work on diversification opportunities and increasing productivity contributes to this area, however research into other methods such as direct marketing and opportunities for groups of small farmers to work together, could be investigated further;
- Trial novel methods of extension delivery such as radio and training farms;
- Combine training of staff with community training as a cost effective way to build community capacity and improve partnerships between institutions and the wider community;
- Develop a specific small farm information centre;
- Employ extension staff to focus on a range of topics relevant to small farmers (ie generalists, not specialists);
- Investigate the feasibility and application of establishing a program similar to the American program SARE (Section 5.1.5) for working with small farmers in Victoria. (Key points of SARE are that it was designed by farmers, encourages collaboration between farmers and government agencies, and farmers have a say in which projects receive funding);
- Investigate the small farm statistics available (the USA National Commission on Small Farms found that reliance on statistics with limited descriptive quality can lead to improper or ineffective policy decisions); and
- Focus on new farmers, including improving understanding of small farm entry; especially support for people who enter farming without any prior agricultural experience.

In the USA, a large number of community groups exist with a specific focus on small farms and community education. These groups are often meeting the needs of farmers who are not well serviced by institutions. It may be beneficial to support the development and ongoing management of similar groups in Victoria. These groups often earn higher levels of trust from the community, and can facilitate the development of expertise in niche areas. Apart from their role of increasing community capability in rural areas, these community groups can be valuable partners for government and industry organisations.

Community groups can support small farmers at the local level by coordinating a farmer network or a small farms program (for example, All Iowa Meals, Appendix E); providing information, demonstration and training; and through assisting market establishment, such as promotion of small farm businesses and the benefits of buying direct from the farm.

Strong institutional policy addressing small farms, combined with supportive programs, is critical to effectively improve the viability of our rural communities and the environmental management of much of Victoria's land and water. Policy in the USA has

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established small farms as a recognised, important part of the federal Department of Agriculture's clientele, with their own specific needs.

Through partnerships between farmers, community members and other Australian and USA institutions, it will be possible for Victorian organisations to assist small farmers to reach their potential and provide a range of values for the community. By providing employment, diversity of ownership and production systems, small farmers can produce goods for all Victorians, attract visitors and money into rural towns and contribute to community vitality. In addition, small farmers can make a significant contribution towards sustainable land management. With new approaches to working with this sector, Victoria has the potential to set the standard in Australia for small farms contributing to innovative solutions for sustaining rural communities and the environment that will contribute to the quality of life of all Victorians.

1. Introduction

1.1 Australian small farms

The number of sub-commercial farms⁴ in Australia has increased over time, in stark contrast to commercial farms,⁵ which have almost halved in the past forty years. While the contribution of sub-commercial farms to the gross value of agricultural production is estimated to be small (less than 5 percent), these farmers can have a substantial positive impact in rural communities (Hooper *et al.* 2002). In addition, in 2000, these farms operated almost 16.6 million hectares of land (much of it located in the high rainfall zone, near-urban locations). As such, these farmers have a significant role to play in management of the nation's environment. Typically families operating or residing on sub-commercial establishments derive the majority of their income from non-farming activities (Hooper *et al.* 2002).

Many of these farms are found within in Victoria, and as they are often relatively small in size, they are commonly referred to as *small farms*. There is no single widely accepted definition of this term and it should be acknowledged that there are farms of small size which are classified as commercial, and that the perception of small can vary throughout the state from less than 10 hectares (ha) up to 300ha, depending on land use and neighbouring property sizes. In this report, the term small farms is applied loosely, and the need for a common description is noted.

1.1.1 Values associated with small farms

Small farms can:

- Contribute to local economies, generating wealth, providing employment and creating tourism opportunities;
- Create of areas of 'green space' around cities where land prices are too high for larger farms to exist;
- Provide environmental value as they can include significant parts of catchments and ecosystems;
- Embody a diversity of ownership, landscapes and agricultural production systems; this diversity has cultural, aesthetic and environmental values; and
- Help rural communities maintain a viable population and therefore retain businesses and services. Large populations can also sustain community groups, which provide social capital⁶ and social support networks (Alston, 2002). Weaker

⁴ Sub-commercial farms are defined by the Australian Bureau of Statistics (ABS) as establishments with an estimated value of agricultural operations (EVAO) of between AUS\$5,000 and AUS\$22,499. In 2000, there were 33 674 establishments in Australia in this category (Hooper *et al.* 2002).

⁵ Commercial farms are defined by the Australian Bureau of Statistics (ABS) to be farms with an estimated value of agricultural operations (EVAO) of \$22 500 or more. There were just over 100 000 of these establishments in 2001. (Hooper *et al.* 2002).

⁶ Social capital is described as the raw material that holds communities together through participation of members in community networks, reciprocity, trust, social norms and proactivity (Alston, 2002).

networks and a loss of trust seriously erodes a community's viability.

Alston (2002) suggests: *“In forging a new agenda for rural revitalisation, governments have to move away from economic rationalist policies and develop people focused policies relevant to rural people.”*

1.1.2 Helping small farms grow and prosper

Given that small farm establishments are increasing in terms of the number of people involved and land area managed, the Department of Primary Industry's (DPI) priority of:

Sustainable growth with a smaller footprint achieved through capable communities applying knowledge of ecosystems,

will be difficult to achieve without involving small farmers.

The Victorian government has recognised the value of family and small farms and has resourced DPI to implement a Future Family Farms for Victoria Initiative (FFF). FFF was established to *“grow a diverse and prosperous family and small farm sector to improve regional economies, the environment and rural living.”* The Victorian government has also funded a project to investigate environmental education and training for small and lifestyle farmers, through the Ecologically Sustainable Agriculture Initiative. Whilst these programs are in the developmental phase, it is prudent to examine how other nations are addressing the strengths and challenges associated with small farms.

1.2 Learning from other small farm programs

The United States provides a valuable learning opportunity, having targeted community-led programs to assist small farmers since the 1970s, and adopting a federal government small farms policy from 1999 (Appendix A). The issues faced by the agricultural sectors of the United States of America and Australia are similar, and include the cost-price squeeze⁷, increasing average age of farmers, environmental degradation, growing numbers of large intensive farms and small lifestyle farms, with a resultant 'squeeze' on mid-sized farms, declining rural populations and increasing demands from consumers in regard to food quality, safety and environmental protection.

The Science Quality Unit of DPI funded the author of this report to travel to the USA to experience small farm programs first hand and meet with some of the farmers, extension officers and United States Department of Agriculture (USDA) policy makers involved. This report on small farms draws on the author's experience in the USA in 2001 together with two major policy reviews carried out in the USA, one of which is *A Time To Act*; an investigation into small farms by a National Commission on Small Farms (NCSF), released in 1998. The other is, *Making Changes: Turning Local Visions into National Solutions. Agriculture and Rural Development Policy Recommendations from the Agriculture Policy Project.*⁸ The Henry A. Wallace

⁷ Returns from agricultural products do not increase as fast as rising costs over the longer term.

⁸ <http://www.winrock.org/wallace>

Centre for Agricultural and Environmental Policy (HAWCAEP) published this paper in 2001. It was the result of a five-year project designed to engage people at the local, regional and national levels in the development of long-term, pro-active policies for USA food and agriculture systems.

The purpose of this report is to document some innovative small farm initiatives occurring in the USA, to consider the values of small farms and to identify opportunities for Victorian institutions⁹ to assist small farmers to reach their potential, in order that all of society can benefit from their continued existence.

This report is divided into six chapters. This first chapter provides background information on how the USA is addressing small farm issues. This chapter also includes suggestions from experienced American program leaders on how Victoria could start to develop targeted programs to contend with similar issues here. The remaining chapters concentrate on five different themes: small farm business development and marketing; direct marketing; supporting small farms through extension; supporting small farms with research and policy; and new small farms. These chapters provide information on each topic, drawn from the aforementioned policy reviews, other documents and the author's experiences. Each chapter contains sections on 'innovative programs in the USA' and 'what might Victoria learn?' Most chapters also conclude with one or more case studies.

1.3 Small farms in the USA

1.3.1 The impetus for change in USA – *A Time To Act*

In 1979 the USDA's Secretary of Agriculture initiated a study of the structure of agriculture. This was designed to examine the condition of farming and its place in the American food system. In 1981 the finalised report *A Time to Choose*, warned:

...unless present policies and programs are changed so that they counter, instead of reinforce or accelerate the trends towards ever-larger farming operations, the result will be a few large farms controlling food production in only a few years.

General consensus is that the warning in the 1981 report was not heeded but rather policy choices made over the following two decades perpetuated the structural bias toward greater concentration of assets in fewer and larger farms and agribusinesses (NCSF, 1998).

In 1997 the USDA established a thirty member National Commission on Small Farms (NCSF) to examine the status of small farms in the nation and to determine a course of action for the USDA to recognise, respect and respond to their needs through changes in policies, practices and programmatic approaches.¹⁰ In 1998 the Commission outlined eight policy goals for a national strategy for small farms (see Section 5.2.6). This report was entitled *A Time to Act* and provided recommendations to Congress and the USDA

⁹ Institutions include the organisations formed by government, industries and communities and their policies and programs (Gleeson and Piper, 2002).

¹⁰ <http://www.usda.gov/oce/smallfarm/commission.htm>

aimed at improving the well-being of the nation's small farms and supporting the contributions they make to American society. The following year the USDA Small Farm Policy was established (Appendix A).

The Commission's term expired after two years, in 1999, and was replaced later that year by the Advisory Committee on Small Farms.¹¹ The Advisory Committee's duties are to monitor and evaluate the impact of government and private sector actions that relate to small farms; review USDA programs and strategies to implement small farm policy; and advise the Secretary of Agriculture on actions to strengthen USDA programs. The Committee includes four of the original authors of *A Time To Act*.

The NCSF outlined a number of values of small farms that are important to society in its report, *A Time To Act*. The following quote is a brief summary:

Small farms contribute more than farm production to our society. Small farms embody a diversity of ownership, cropping systems, landscapes, biological organisation, culture and traditions. Since the majority of farmland is managed by a large number of small farm operators, the responsible management of soil, water and wildlife encompassed by these farms produces significant environmental benefits. Decentralised land ownership produces more equitable economic opportunity for people in rural communities and offers self-employment and business management opportunities. Farms, particularly family farms, can be nurturing places for children to grow up and acquire the values of responsibility and hard work (NCSF, 1998, p13).

A Time to Act identified that there had been indifference to the needs unique to small farms, for the last several decades. The NCSF asserted that if the potential contribution of small farms was to be realised, the USDA must make concerted efforts to identify and nurture this potential. The Commission contended that small farms should be a focus of the USDA because they comprise over 90 percent of all farms and on average earn a negative return on equity:

It is these farms that are most in need of public attention to create greater economic opportunities for their long-term viability (NCSF, 1998, p51).

¹¹ <http://www.usda.gov/oce/smallfarm/committee.htm>

1.3.2 Characteristics of small farms in the USA

Small farms in the USA are described as those with:

Annual gross receipts under US\$250,000, on which day-to-day management and labour are provided by the farmer and/or the farm family who owns the production or owns, or leases, the productive assets.

There are two components to the description, one is economic and the second is that the owner/operator must be the primary decision maker. Denis Ebodaghe, Small Farms National Program Leader, Cooperative State Research Education and Extension Service (CSREES), an agency of the USDA, stresses that the Americans have a description rather than a hard and fast rule, or definition, of small farms.

Under the above description, small farms make up 91 percent of all USA farms (Hoppe, 2001). Sub categories of small farms have been determined by the Economic Research Service (ERS), an agency of the USDA. These are based primarily on occupation of the operator and sales class of the farm. The sub categories reflect operators' expectations from farming, position in the life cycle, and dependence on agriculture; they are identified in the Box on the next page.

Small farms accounted for only 33 percent of the value of total agricultural production in the USA in 1998, but they produced larger shares of particular commodities: 62 percent for hay, 54 percent for tobacco, 49 percent for soybeans, 47 percent for wheat, 47 percent for corn, and 40 percent for beef (Hoppe, 2001). Because of their sheer numbers they also accounted for a large share of assets owned by farms (69 percent) including land (68 percent). As custodians and managers of the bulk of farm assets, small farms play a major role in natural resource and environmental management (Hoppe, 2001).

USA Economic Research Service Farm Definitions

Small Family Farms (sales less than US\$250,000)

- **Limited-resource farms.** Small farms with sales less than US\$100,000, farm assets less than US\$150,000, and total operator household income less than US\$20,000. Operators may report any major occupation, except hired manager.
- **Retirement farms.** Small farms whose operators report they are retired.*
- **Residential/lifestyle farms.** Small farms whose operators report a major occupation other than farming.*
- **Farming-occupation farms.** Small farms whose operators report farming as their major occupation.*
 - **Low-sales farms.** Sales less than US\$100,000.
 - **High-sales farms.** Sales between US\$100,000 and US\$249,999.

Other Farms

- **Large family farms.** Sales between US\$250,000 and US\$499,999.
- **Very large family farms.** Sales of US\$500,000 or more.
- **Non-family farms.** Farms organised as non-family corporations or cooperatives, as well as farms operated by hired managers.

*Excludes limited-resource farms whose operators report this occupation.

Source: *Structural and Financial Characteristics of US Farms: 2001 Family Farm Report*. Editor: R. Hoppe.

1.4 How might small farms be targeted in Victoria?

As Victoria begins to focus deliberately on small farms it is useful to learn not only how organisations in the USA address small farm issues and assist small farmers, but how they establish specific small farm programs. This section provides ideas from some small farm leaders in the USA.

Karen Armstrong-Cummings, a member of the USDA Small Farms Advisory Committee, said that the USDA initially discussed the values (economic, social, environmental) of small farms and decided government had a role in sustaining them rather than letting economics take its course and have them die out. She recommended that as a small farms initiative is developed, it is critical to determine the real objective of the program. Karen also suggests that it is of utmost importance to consult with farmers about what a small farm program should involve (bearing in mind there will be a lot of complaints as well as positive feedback).

Mike Duffy, Leopold Centre for Sustainable Agriculture, Iowa (Section 5.4.2), believes it is necessary to make an active decision about which part of the farm population will be targeted by any new program. He says although it is not possible to meet everyone's requirements, it is important not to alienate people by excluding them. He suggests the sector most requiring attention is the medium sized farms (with gross sales of between US\$20,000 and US\$500,000), as they are declining either by being amalgamated into large farms or divided into small hobby or retirement farms.

When the Leopold Centre was established, core values were determined; specifying what the Centre wanted to achieve and how it would do so. One decision taken, was that the Centre would not be involved in policy, however, a recent suggestion has been that it could analyse policies but not necessarily advocate any. Mike suggests Victorian institutions initially consider what a small farms program could realistically encompass. For instance he asks will the program be involved in research, demonstrations, policy analysis, farmer unionising, exit programs (for farmers who are in such financial trouble that they will never make their farm viable), farm financial planning or other topics?

Mike also says it is important to determine the definition of a family farm at the very beginning of any new program, as it can become quite an issue further down the track. For example he says that in the USA there have been difficulties classifying multiple family farms, where a number of children and their spouses all work partly for their parents' farm as well as running their own farm businesses. This can result in classifications of one large and three small farms and it is important to determine if only three, or all four, farm businesses are eligible to participate in small farm programs. If the family farm is the primary focus then Mike suggests definitions should be based on who carries out the labour.

The large sales figure (up to US\$250,000) makes the description of small farms in the USA broadly encompassing. Concern about the high cut-off was raised in numerous places throughout the country, and from many people, farmers through to policy makers. Neil Hamilton, USDA Small Farms Advisory Committee, suggests Australia and/or Victoria should spend time developing an appropriate description of small farms. He believes that the description in the USA is too encompassing, so that most farms fall into

the small farm category, and then most agricultural policy can be considered to be small farm policy.

