

May 2008

# CENTER *for* RURAL AFFAIRS



A newsletter surveying national events affecting rural America.

VALUES. WORTH. ACTION.

## Development Matters

Last April 15<sup>th</sup> we announced a goal to raise \$15,000 by May 15<sup>th</sup>. We called it our “15x15” campaign. When *Brian, Jeff*, and I broached the idea nobody believed we could do it (most days, neither did we). But we forgot one very important thing. It was not up to us, it was up to you.

First-time donors, long-time donors, matching grants, checks in the mail, and online contributions all added up. On May 15 you blew the roof off.

Recently I suggested raising \$35,000 for our 35<sup>th</sup> year, but nobody believes we can do that. After a long and often cynical farm bill debate, isn't it obvious that if those who believe in rural America do not invest in the future of rural America, no one will?

By the time you read this we will have announced our goal for this special appeal. I hope you will amaze and humble us again.

**Contact:** John Crabtree [johnc@cfra.org](mailto:johnc@cfra.org) or call 402.687.2103 x 1010.

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## Farm-Based Recreation and Development

Data shows challenges must be reconciled before agritourism policy will be successful

One rural development strategy that has been offered to both enhance farm and ranch income and entrepreneurial opportunities in rural areas is farm-based recreation or agritourism. Latest data (2004) estimates that over 50,000 farms and ranches in the United States obtain some income from farm-based recreation activities.

*Farm-Based Recreation: A Statistical Profile*, a recent USDA report, examines numerous issues surrounding agritourism, particularly the types of

farmers and ranchers and types of places where it may have the greatest potential. The report has significant implications for policy options to promote agritourism and important suggestions for organizations (like the Center for Rural Affairs) and agencies seeking to assist farmers, ranchers, and rural communities in developing initiatives based on agritourism.

USDA found that nearly three-quarters of all farms receiving recreational income are in the South or Mid-

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## Survey Finds Cropland Values Are Soaring

Beginning farmers and ranchers among the most disadvantaged by these increases

Nebraska cropland values increased by 23 percent over the past year according to the *Nebraska Farm Real Estate Market Survey* done by the University of Nebraska-Lincoln. This is the highest increase survey authors have seen over the past 30 years.

Moreover, when adding up the last five years worth of increases, land values in Nebraska stand at a staggering 88 percent higher today than they were in 2003.

In addition to land value increases, cash rental rates for cropland also saw the sharpest increase ever, averaging anywhere from 17 to 23 percent higher than last year. The highest rental rates of \$200 per acre were found in the East and Northeast parts of the state. Grazing land is also on the rise. Although not as high as cropland values, grazing land

increased anywhere from roughly 8 to 19 percent.

Nebraska is not alone when it comes to ever-increasing land values. Several states are seeing annual increases. Iowa, for example, saw an average increase of 22 percent, their new record high, according to a survey conducted by Iowa State University. This puts Iowa's five-year increase at 67 percent. According to an article in *Top Producer*, some cash rents in Illinois and Iowa were reported as high as \$350 to \$400 per acre.

### Challenges for Beginners

While higher land values and cash rents may benefit landowners, it creates monumental challenges for beginning farmers and ranchers by making it

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## Agritourism challenges include attracting customers to remote rural locations ...

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west. More importantly, farms and ranches involved in agritourism are more likely to be in completely rural nonmetropolitan counties and in areas dependent on recreation in general (suggesting the opportunity to develop networks connecting agritourism with other recreational amenities).

These findings suggest that agritourism efforts need to be targeted to those areas that have greater potential for, in USDA's words, "high-quality habitat" for hunting, fishing, trails, riders, and other recreational uses. Those habitats, of course, are more likely to be in more remote rural locations.

The challenge then becomes at-

tracting customers to places away from population centers. The USDA report finds that agritourism offerings require a "steady stream of consumers and should be located near cities." Reconciling this need with USDA's finding about the location of agritourism operations and the further finding that farmers and ranchers were likely to run a farm-based recreation business if they were a greater distance from a city of at least 10,000 population is the primary challenge of developing successful agritourism businesses.

Public policy that seeks to promote agritourism as a viable rural development strategy and programs that assist in developing agritourism operations need to recognize this challenge and provide resources to develop and market consumer niches, similar to the technical assistance resources offered to nonfarm small businesses.

We have written in this space many times about the need for additional resources to develop and promote rural nonfarm small businesses – there should be no difference in the resources offered to develop and promote rural small businesses built on farm-based recreation. The full report may be viewed at [www.ers.usda.gov/publications/err53](http://www.ers.usda.gov/publications/err53).

**Contact:** Jon Bailey, [jonb@cfra.org](mailto:jonb@cfra.org) or 402.687.2103 x 1013 for information.

## President's FY09 Budget Proposal Examined

The latest issue of the Center for Rural Affairs' *Rural Brief* is available on the Center's website, [http://www.cfra.org/publications/action\\_briefs](http://www.cfra.org/publications/action_briefs). This issue analyzes the President's FY 09 budget proposal and how it affects selected rural development programs. If you would like to receive a copy via email or hard copy, please contact *Kim Preston* [kimp@cfra.org](mailto:kimp@cfra.org). Kim will add you to the *Rural Brief's* distribution list.

## Cultural Smorgasbord in a Rural School

Attempt to keep school open by bringing foreign exchange students very successful

A few months ago I wrote about a unique situation in Wausa, Nebraska. The school system was in danger of being phased out due to a lack of students. Superintendent *Bob Marks* came up with a plan to recruit foreign exchange students to fill the population needs of the school.

I had the opportunity to visit with students from both the exchange program and the Wausa area, thanks to the generosity of the school's principal, *Brad Hoelsing*. When I arrived, I found that the students were very much at ease. They acted like they had known each other for years.

Most of the exchange students come from urban population centers. It was amazing how quickly they adapted to Wausa. Yet they retained their own cultural perspectives. For example, I asked Patrik, a foreign exchange student from Sweden, what he thought about Wausa's Swedish cultural heritage. He replied, "What heritage??" Wausa may be the Swedish Capitol of Nebraska, but in Patrik's mind it was a small village in the United States.

I fell in love with these students as they told me their tales of woe and triumph in sports, activities, food, and

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Part of the Wausa, Nebraska, graduating class of 2008.

their longing for home. They all had something special to share about their country and what was important to them. Patrick, from Germany, was especially in awe of our mobile society. If we want a home, we can simply buy one and move it. In Germany, he stated, many of the houses are made of stone, and they don't move.

Age-wise they differed, but many of the students expect to go back to their native country and return to school until they are 21. John did not want to go back as he genuinely appeared frightened at the prospect of joining the army, which would be required of him upon his return.

I went to Wausa expecting to find extreme differences between the students and the community. What I found was a group of teenagers who crossed cultural boundaries to form one of the most impressive senior classes you will ever see. Good luck to all of you, wherever life takes you.

## Ethanol market driving up land prices ...

(Continued from page 1)

nearly impossible for them to gain access to land.

In 1978, there were 350,000 farmers 34 years of age or younger who considered farming their primary occupation. By 2002, that number fell to fewer than 70,000. We have reported on these numbers before but believe they bear repeating. There is a larger societal issue to grapple with here, one that deserves great attention.

Who will farm the land if we don't do what it takes to help beginning farmers and ranchers access the most important resource? To provide a strong future for rural America we must address this issue.

## Farm Programs Have Not Levelled the Playing Field

When the final farm bill passes it will hopefully include several beginning farmer and rancher provisions we have been championing. These measures will be a great benefit to aspiring farmers and ranchers across the country.

But probably even more important is for the farm bill to ensure other programs operate fairly and level the playing field, rather than eliminate the playing field all together. The program that comes to mind is the commodity program.

While the current ethanol market may be doing more to drive up land values than the farm program, it still plays a significant role. If the farm bill enables mega-farms to continue creating "paper" farms to exceed the limits, they will have an unfair advantage over everyone else. This advantage gives them extra dollars to continue bidding into land values and cash rents.

**Contact:** Traci Bruckner, [tracib@cfra.org](mailto:tracib@cfra.org) or 402.687.2103 x 1016 for information.

## Opportunity to Secure Rental Farmland

A new company is searching for sustainable and organic farmers who want to secure rental farmland for their operations. The company will set up long-term leases for farmers who agree to use environmentally sound farming practices on the property.

The owner of the company, New Spirit Ventures, is *Robert Karp*, former director of Practical Farmers of Iowa. "The program is designed to help the best of our pioneering sustainable/organic family farmers succeed," he said in announcing the project.

A call for farmer interest is being distributed in Kansas, Nebraska, North Dakota, Iowa, Wisconsin, and Minnesota. The Center for Rural Affairs is assisting in getting the information out.

**The pre-application deadline is June 15, 2008.** To receive a copy or for more information, contact Robert Karp at [nsv@centurytel.net](mailto:nsv@centurytel.net) or 262.642.9672.

# C O R P O R A T E F A R M I N G N O T E S

Online citizen petition against JBS mergers; environmental transgressions with JBS-Swift; Iowa legislature and pork barrel manure

⇒ **On March 4 and 5, JBS-S.A. of Brazil** announced the acquisition of National Beef Company of Kansas City, America's fourth largest beef packer, as well as the Smithfield Beef Group.

In little more than a year, JBS has risen meteorically to become the largest cattle feeder and beef packer in the United States. The Department of Justice has undertaken a premerger analysis to determine if the acquisitions by JBS are anticompetitive under U.S. anti-trust laws.

The Center for Rural Affairs has been working with allies to convince Justice that this mega-merger must be scrutinized more closely and that the premerger analysis should be extended. We are also gathering comments from organizations, churches, farmers, ranch-

ers, and other concerned citizens through an online petition and comment page. We have over 500 citizen signers of our letter to Justice and, given time, hope to make that thousands.

You can find out the status of the Justice Department's analysis and, if there is still time, comment and sign onto our letter at <http://www.cfra.org/competition>.

⇒ **As previously reported, local residents near Ravenna, Nebraska,** have engaged in a running battle with Swift over dumping of paunch (gastrointestinal contents of slaughtered cattle) in open fields near their homes. Since the JBS takeover, the residents' limited progress has been reversed, and paunch dumping is as egregious as ever.

⇒ **In early April the mayor of Grand Island** told JBS-Swift officials that the company's plant could be shut down over unresolved wastewater problems. Nebraska Dept. of Environmental Quality issued notices to the city and JBS-Swift four times in the last nine months for violating discharge permits.

⇒ **The Iowa General Assembly** is poised to provide \$22.8 million in true "pork barrel" spending for yet another research study of how to make liquid manure from industrial livestock operations not stink (HF 2688). House Ag Committee Chair *Delores Mertz* (D-Ottosen) and Speaker *Pat Murphy* (D-Dubuque) played a legislative shell game to get the bill out of committee and reported to the floor.

**Contact:** John Crabtree, 402.687.2103 x 1010 or [johnc@cfra.org](mailto:johnc@cfra.org) for more information on the Center's Corporate Farming Notes.

## More Center for Rural Affairs Donors - Thank You So Much!

In March we published a list of our donors from FY 2007. Since then it occurred to us that most people do not live their lives on fiscal years. We want everyone to know that we value all of our contributors, no matter when they give. Toward that end, we are publishing the names of recent donors who did not appear in the March list. Thank you all for your support.

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## Nebraska Legislature Kills the Initiative 300 Replacement Bill

The Nebraska Legislature has killed the bill to reestablish restrictions on corporate farming. LB 1174 fell four votes short in spite of spirited support from Senator *Cap Dierks*, Nebraska Farmers Union, the Center for Rural Affairs, churches, and others.

We did establish a fact critical to all states considering corporate farm legislation. **It is possible to develop effective corporate farm restrictions that meet the objections of the federal courts that overturned the Iowa, Nebraska, and South Dakota laws.**

The court ruled that Nebraska's longstanding Initiative 300 discriminated against interstate commerce because, the court claimed, only Nebraskans could provide the daily labor required to qualify as an exempt family farm corporation.

### Provisions of LB 1174:

LB 1174 would prohibit farming and farmland purchases by corporations and limited liability entities owned primarily by nonfarm stockholders. The prohibition would apply to big companies like Cargill and Murphy Farms as well as smaller corporations owned by nonfarm investors such as Ted Turner and local professionals.

Nonfarm investors could buy land or farm only as sole proprietors or general partnerships. They would have to operate by the same rules as most farmers, paying taxes as individuals and assuming full legal responsibility for the liabilities of their operation.

Family farm corporations would be allowed. A member of the family that owned majority interest would have to manage and work on the farm. Unrelated investors could own up to 49 percent of the stock in a family farm corporation – to help finance the family farm. In addition, up to five unrelated active farmers could establish a farm corporation.

The proposed legislation made it clear that a family farm corporation based in another state – on which a family member labored in that state – could buy land and engage in farming or ranching in Nebraska. The legal expert retained by the Nebraska Legislature testified that the bill addressed the courts' objections and would likely be upheld.

Legal issues were not the primary barrier. The primary barrier was a coalition led by the Nebraska Farm Bureau. For years, the organization said it only wanted to change the restrictions to enable unrelated farmers to jointly form corporations.

So we were disappointed that Farm Bureau declined our invitation to help shape an exemption for unrelated farmers working together – opting instead to block all restrictions.

**Contact:** Chuck Hassebrook, [chuckh@cfra.org](mailto:chuckh@cfra.org) or 402.687.2103 x 1018 for details.

By all indications, most farmers support corporate farm restrictions. Most farm areas voted strongly for Initiative 300 in 1982. And a 2004 survey of Platte County farmers by the county Farm Bureau, Farmers Union, Pork Producers, and Center for Rural Affairs found that 80 percent wanted Initiative 300 to remain in force, unchanged.

To win reform, grassroots members of farm organizations must first reform them to represent the rank and file on family farm issues.

We must also set aside our differences and work together where we agree. Following a passionate debate on corporate farming, Nebraska Cattlemen, Farmers Union, Farm Bureau, and the Center for Rural Affairs joined forces to win legislation improving the Nebraska tax incentive for renting land to beginning farmers.

## Commencement Kudos to 2008 Graduates

In an annual newsletter tradition we recognize members of the Center for Rural Affairs family experiencing the thrill of graduation this spring.

*Michael Bailey*, son of *Jon and Ginger Bailey*, will graduate from Bancroft-Rosalie High School on May 9, 2008. Michael will graduate with honors and was a Nebraska state speech contest medallist, yearbook and website editor, and a member of the award-winning Bancroft-Rosalie drama department. Michael will attend Cornell College in Mt. Vernon, Iowa, studying Creative Writing and History.

*Steele Valenzuela*, son of *Alberto and Carla Valenzuela* of Decatur, Nebraska, will graduate from Lyons-Decatur Northeast High School on May 10, 2008. Steele was the Center's intern during the summer of 2007. Steele will also graduate with honors and was a Nebraska state speech champion, played football, participated in FFA and FBLA, and is a recipient of the Gates Millennium Scholarship. Steele will attend Creighton University in Omaha, Nebraska, studying pre-med with a goal of becoming a pediatrician.

*Darby Chamness*, son of *Barbara Chamness*, graduated from West Point-Beemer High School in December 2007. Darby is a talented guitarist who both plays and writes music. Darby will attend the Music Institute of Hollywood in the fall of 2008 and will pursue a musical career.

REAP Business Specialist *Dena Beck* of Minden is receiving her Masters in Organizational Management with minors in Entrepreneurship and Economic Development from Peru State College on May 3, 2008. Dena will graduate with honors and says this is the end of the line for her schooling (but not learning). Dena's husband *David* and their *two daughters* are very proud of her.

## 35 Years: History of the Corporate Farming Battle Examined

From fledgling attempts in the 70s to the Supreme Court's decision last year, rural people have fought to determine their future

For 35 years the Center for Rural Affairs has stood at the forefront of the battle to protect family farming from large corporate interests.

Beginning in the mid 1970s we tried for eight years to get a corporate farming restriction passed in the Nebraska Legislature, to no avail. We had nearly stopped trying when Nebraska Farmers Union launched a petition drive in 1981 to place a constitutional amendment on the ballot. Initiative 300 was born, and the fight was on.

The battle that ensued was a critical point in the Center's history. We proved we could collaborate with our friends, punish our enemies, and speak truth to powerful interests in a way that persuaded the general public.

### Armed with the Facts

We used campaign finance disclosure laws to reveal that a \$500,000 campaign against the amendment was financed by corporate funds, much of it from out of state. Armed with the facts, we responded to a traveling news conference planned by our opponents.

The news conference was to take place in half a dozen cities across the state with leaders of organizations opposing the initiative being flown from site to site. When the flying news conference showed up, the first question they got everywhere was, "Who's paying for the jet?" It was a marvelous demonstration of how people can beat money when they know the score.

But maybe the most effective campaign tactic was the simple TV ad we made with a real farmer standing in his field saying: "Let's send those out-of-state corporations a message: Our land is not for sale ... and neither is our vote."

We did not have the funds to pay for the ad to be run, but we invoked the "fairness doctrine," a federal regulation

(since eliminated) requiring electronic media to cover ballot questions fairly, whether both sides of the issue could pay for ads or not. We wrote every TV and radio station asking for free air time, and most of them gave us some – about one minute for every five the other side bought. Our ad was real, convincing, and powerfully simple.

### Election Day 1982

On Election Day, we lost Omaha by a modest margin but made up the difference in Lincoln and won by 2:1 in rural Nebraska. It was a stunning victory of people over corporate power.

In some ways, Election Day 1982 is when the battle over corporate farming began. Hell hath no fury like the rich and powerful when they can't have what they want. The Omaha National Bank filed a lawsuit almost immediately. It failed.

There were six more suits over the years in state and federal court. And nearly every year there was at least talk of legislative attempts or ballot efforts to repeal the ban.

We fought back at every turn. We filled the legislative chamber when hearings were held, confronted paid petition circulators with volunteer ones, and we went inside the bowels of farm organizations that supported corporate farming, cultivating their local leaders and effectively neutralizing these organizations.

### Lawsuits Never Stopped

The battle raged for 20 years, and the opposition failed repeatedly. But the lawsuits never quit coming.

Six court battles and 23 years after passage opponents finally got something to stick. Having tested their latest legal argument against a similar law in South Dakota, opponents filed a suit in 2004 charging that Nebraska's corpo-

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rate farming ban was a violation of the Dormant Commerce Clause of the U.S. Constitution. A single judge heard the case and issued her ruling – Initiative 300 was unconstitutional. The case was appealed and appealed again, finally being turned away by the U.S. Supreme Court. It was an unfortunate defeat.

### Rural People Can Prevail

We have been here before though, facing down political interests more concerned with campaign contributions than the future of our farms and communities. And we have overcome before, showing that when rural people band together they can set their own destiny.

Politicians howl about activist judges who lean left or lean right, but the real threat is a judiciary who rules not in the interest of people or the law, but in the interest of money and corporate power.

See the article on page 6 for recent developments on efforts to pass a legislative replacement for Nebraska's landmark corporate farming ban.

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This piece is adapted in part from the *Center for Rural Affairs History*. Find more at <http://www.cfra.org/about/history>. For more information contact Brian Depew, [briand@cfra.org](mailto:briand@cfra.org).



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## Question the Candidates — It's Your Best Way to Affect Change

The next six months may be your best chance to get your future senator or representative to make a commitment to vote right.

It's an election year. Aspiring elected official are never more responsive to constituents than in their first campaign. Their views are generally not yet hardened, and they are listening intently – looking for ways to demonstrate to voters that they will fight for people like them.

It works. The Center for Rural Affairs met with almost all the new candidates for the Nebraska Legislature two years ago when term limits forced out nearly half of Nebraska's state senators. The relationships and commitments we formed then were essential in winning support for beginning farmer, rural community development, and small

business development initiatives passed successfully in the following legislative session.

So watch your local newspaper and events calendars to find out when candidates are coming to your area. Make a point to attend, and be sure to ask the candidate where he or she stands on the issues most important to you. Afterward, introduce yourself and get his/her mailing address or email. Send a follow-up note to reinforce your point.

What should you ask? Here are some suggestions. If you prefer, develop your own questions.

⇒ Do you support tightening the limits on subsidies for mega farms to drive smaller operations out of business by bidding land away from them?

⇒ What's a higher priority to you, tax breaks for big companies to expand or support for small business and micro-enterprise to revitalize rural America?

⇒ Where do soil and water conservation rank on your list of priorities? Should a portion of federal support be based on how well a farmer manages natural resources – such as through the Conservation Security Program?

⇒ Should some part of the money in every farm bill be invested in the future of rural America through beginning farmer, small business, and value added agriculture programs?

⇒ Do you support taxing large estates of wealthy people to prevent excessive concentration of land and wealth and to slightly level the playing field in competition for land and markets between rich heirs and hard working ordinary people trying to get starting in farming or business?

⇒ Should grants and tax credits for biofuel production favor locally-owned facilities? Should they be tied to standards for protection of land and water?

Good government requires effort by good citizens. It's what makes democracy work. And there is no better way to make your efforts count than by helping to shape the views of a new candidate for office. It's your best shot at making a difference.

**Agree or disagree?** Send your questions and comments to Chuck Hassebrook at 402.687.2103 x 1018 or [chuckh@cfra.org](mailto:chuckh@cfra.org).

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