

***The Impact and Benefits of USDA Research and Grant Programs to
Enhance Mid-Size Farm Profitability and Rural Community Success:
A Preliminary Report***

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Executive Summary

Existing public policy vehicles have the potential to address the issues of poverty, incomes and depopulation in rural areas. Money, activities and hope have been instilled in people and institutions across the land. But the questions remain: What have been their impacts? Which have been most successful? What evolving public policies should be improved and targeted for greater impacts? Policymakers, educators and key agricultural professionals need this information in order to help support appropriate future public policy.

With this study we seek to better understand how well four key USDA grant and research programs are serving beginning, small- and mid-size farms and ranches, and what steps might be taken to improve these programs or develop new solutions to enhance farm profitability and rural community success.

This two-year study examines spending from four federal agricultural research, marketing and business enterprise development programs. Combined funding over the two-year period studied totaled nearly \$500 million for the four programs. The study looks at nationwide trends and focuses on Iowa as a case study.

Through Freedom of Information Act requests, proposals from 2001 and 2002 for the four USDA programs were examined. For this preliminary study our sample includes 52 Rural Business Enterprise Grant (RBEG) proposals, 16 National Research Initiative (NRI) proposals and 13 Initiative for Future Agriculture and Food Systems (IFAFS) proposals. Some proposals for the relevant period are still being sought; for this preliminary study, proposals from the Value-Added Producer Grant program are not included as an insufficient sample has yet to be obtained.

Each proposal was reviewed on 16 specific measures relevant to rural community impacts, small- and mid-size farm and ranch profitability, affects on beginning farmers and ranchers and affects on agricultural structure. Four reviewers independently scored the proposals for each program; scores were based on a scale of 1 to 10, with ten the best score. Scores were totaled and converted to letter grades based on the percentage of a “perfect score” (160 total points) to illustrate how well federal dollars have been directed to beginning and small- and mid-size farms and ranches through the programs in question.¹

CAVEAT: While projects are scored on a traditional letter grade scale, this by no means should be used to judge the merits – scientific or otherwise – of any project. The score is only meant to judge the relative contributions to small- and mid-size farmers and ranchers, beginning farmers and ranchers and certain components of the rural economy.

¹ On a scale of 100, a score of 90 or higher was an “A”; a score of 80 or higher was a “B”, and so on.

RBEG projects received an average mark of 64 percent of a perfect score; the median score was 69 percent of a perfect score. Five out of 52 projects scored an “A”, while 10 projects scored a “B” and 10 a “C”.

NRI projects received an average score of 47 percent of a perfect score. This is a dismal result for such an important program. Only one project, located in Washington State, received an “A”. Most of the rest, 13 out of a total of 16 projects, received an “F”, including an Iowa project.

IFAFS appropriations were a hidden jewel in our research. Although only appropriated \$120 million in 2001 and zero in 2002, this program directed \$23 million to the projects studied. Of that, \$11,277,081, or 49 percent, was judged as quite helpful to target groups. ***IFAFS projects*** earned 76 percent of a perfect score. Most projects examined were beneficial to small- and mid-size farmers and ranchers and to beginners. Almost 54 percent scored an “A” or a “B”.

From this analysis, preliminary policy and administrative solutions are proposed to target such programs so that existing dollars and program activities can truly enhance the profitability of mid-size farms and success of rural communities.

The Center for Rural Affairs undertook this project in cooperation with Iowa State Extension with funding from the Leopold Center for Sustainable Agriculture.

Introduction

A. Goal, Hypothesis, Purpose

In cooperation with Iowa State University Extension and the Leopold Center for Sustainable Agriculture, the Center for Rural Affairs (CFRA) undertook a survey of four USDA grant programs to understand how each program is serving small- and mid-size farmers and ranchers and beginning farmers and ranchers, and to determine the extent, if any, of improvements needed.²

For this preliminary report, funded proposals for the following three USDA competitive grant programs were obtained through the Freedom of Information Act (for fiscal years 2001 and 2002):³

- ◇ Rural Business Enterprise Grant (RBEG) Program
- ◇ National Research Initiative (NRI)
- ◇ Initiative for Future Agriculture and Food Systems (IFAFS)

² In this preliminary report we do not provide results from the Value Added Producer Grant (VAPG) program. Results from an analysis of the VAPG program will be included in a final report in early 2006.

³ FOIA requests were made for projects gleaned from lists of all funded projects in the relevant programs as obtained from public sources and USDA; project proposals requested indicated a relevance to agriculture and, in the case of the NRI and IFAFS programs, a relevance to small- and mid-size agriculture and/or beginning farmers or ranchers.

We hypothesize that these programs would to some extent be serving our target groups, particularly since projects selected for review were selected due to an initial screening for relevance. However, we hypothesized further that there would likely be some areas better served than others and that some programs would do a better job of serving targeted populations than others.

Through this research we sought information to help us discover what is working well and what can be improved. Our ultimate goal is to see USDA providing better service to family farmers and helping achieve greater rural community success.

The quickly approaching 2007 Farm Bill was another impetus for pursuing this study. We anticipate that the findings from this study will lead to policy recommendations for debate in the next Farm Bill. We anticipate recommendations related to administrative changes and others pinpointing changes in various titles of the Farm Bill.

B. Overview: Where We Will Take You

Rural America is facing an agricultural demographic trend often described as the “disappearing middle.” This has a potentially devastating impact upon rural areas. Mid-size farms continue to be crucial to rural communities – they comprise the largest use of farmland and the number of people in mid-size farm families remains significant. The prosperity of mid-size farms and how public policy influences their prosperity is a critical variable to rural community success.

Existing public policy vehicles have the potential to address this situation. Money, activities and hope have been instilled in people and institutions across the land. But the questions remain: What have been their impacts? Which have been most successful? What evolving public policies should be improved and targeted for greater impacts? Educators and key agricultural professionals need this information in order to help support appropriate future public policy. The Center for Rural Affairs, and Iowa State Extension with funding from the Leopold Center for Sustainable Agriculture at Iowa State, worked to research these questions.

First, we will describe the programs that we assessed for this project. Second, we will share the methodology for how we assessed the proposals. Following a brief overview of the findings, we will share challenges and opportunities related to each of the programs and how we rated the overall service provided to farmers in rural communities via these programs. Finally, we will share our preliminary lessons and policy recommendations (both legislative and administrative) along with our conclusions.

1. Rationale

Moderate-size farms are being squeezed nationwide. For purposes of this project, we employed the USDA “collapsed farm typology” to obtain our definition of “mid-size farm.” The current USDA farm typology has eight groups based on owner characteristics and agricultural sales.

The collapsed farm typology combines these categories into three – rural residence farms, intermediate farms and commercial farms. For the purposes of this project, intermediate farms shall serve as the proxy for mid-size farms.⁴

⁴ *Food and Agricultural Policy – Taking Stock for the New Century*, United States Department of Agriculture, 2001. It is clear that not one definition exists for “mid-size” farm. We have selected USDA’s definition use of intermediate farms as it appears to be the “official” classification of farms by size and structure for data analysis as intended in this project.

USDA places those farms with gross sales of \$100,000 to \$250,000 and farming as the primary occupation of the owner(s) in the Intermediate Farms category. Recent USDA data show that these farms are quickly disappearing. In 1997, these farms represented over 28 percent of all farms in the nation, and three-quarters of the nation's "working farms" – those farms where the chief source of income and the primary occupation is farming. By 2002, the number of mid-size farms had declined by 41 percent.

The same general trend exists in Iowa, though on a smaller scale. In 1997, mid-size farms constituted 21 percent of Iowa's farms; by 2002, the number of mid-sized farms declined to 18 percent of the state's farms.⁵

While declining, it is important to note that both nationally and in Iowa, mid-size farms continue to make up the largest share of "working farms." Nearly 60 percent of Iowa's "working farms" in 2002 were mid-size farms.

Mid-size farms continue to be crucial to rural communities – they comprise the largest use of farm land and the number of people in mid-size farm families remains significant. The prosperity of mid-size farms and how public policy influences their prosperity continue to be a critical variable to rural community success.

Correspondingly, the average age of farmers in Iowa increased from 50 in 1992 to 52 in 1997.⁶ Since 1997, the average age of farmers in the nation and in Iowa has increased nearly one year annually. This suggests that few, if any, younger people are entering farming.

As farmers reach retirement age in the coming years, allowing this trend to continue will only hasten the disappearance of mid-size farms. A lack of a new generation of farmers will likely mean that mid-size farms will be consumed by larger farms, with the result being fewer farmers, fewer people on the land, decreased diversity on the landscape and suffering rural communities.

All this suggests that the nation in general, and Iowa by example, is facing an agricultural demographic trend often described as the "disappearing middle." Farms in this "disappearing middle" are facing stiff competition in commodity markets as large farms, industrial agriculture and supply chains become more vertically integrated. Generally, these mid-size farms are not well-positioned to enter into small volume, high value niche marketing.

As economics and public policy focus on both ends of the farm typology – vertical integration, supply chains and commodity programs favoring large volume producers, and farmers markets, niche marketing and direct farmer-to-consumer relationships favoring small farmers – those farm families in the middle will experience increased financial stress.

Mid-size farmers and agriculturally-based communities across Iowa and the nation are feeling the stress of these economic and policy developments. In general, rural areas are experiencing higher rates of poverty, lower incomes and declining populations when compared to other parts of the

⁵ *Farms and Land in Farms*, United States Department of Agriculture, National Agricultural Statistics Service, 2003; *1997 Census of Agriculture*, United States Department of Agriculture, National Agricultural Statistics Service, 1999.

⁶ *Id.*

nation.⁷ As such, the institutions of rural life – schools, churches, businesses and local governments – are all suffering.

Existing public policy vehicles have the potential to address this situation. Federal competitive grant programs such as the Rural Business Enterprise Grant Program help improve rural economies by providing technical assistance, equipment or staffing to groups serving farm and ranch businesses. Mid-size farm and ranch businesses can increase their income by tapping into new markets, or by forming a new cooperative, while also keeping dollars circulating locally in rural areas.

The federal resources devoted to the programs examined herein could and should help farmers, ranchers, researchers and others in Iowa and throughout the nation find marketing, diversification, enterprise development and other strategies that benefit small- and mid-size farmers and ranchers, encourage beginning farmers and ranchers and develop a profitable rural economy.

2. Objectives

This project seeks to gauge the impact and benefits of USDA research and grant programs to beginning and small- and mid-sized farmers and ranchers and to identify options and strategies to enhance mid-sized farm profitability and rural community success.

C. An Eye to the 2007 Farm Bill

Debate will begin on the next Farm Bill in early 2006. Now is the time to begin looking at how we can improve current programs so that they better serve our target audience. The main Farm Bill titles relevant to this study are the Research and Rural Development Titles. The Value-Added and the Rural Business Enterprise Grant programs are both included in the Rural Development Title. The National Research Initiative and IFAFS have both developed as part of the Research Title of the Farm Bill. The 2007 Farm Bill is a venue through which we may pursue authorizing language that will influence the way these programs are developed in the future. We will discuss the Farm Bill and preliminary policy options in more detail in the recommendations section.

Description of Programs Assessed

USDA's *Rural Business Enterprise Grants* (RBEG) program is housed within the Rural Business-Cooperative Service of the Rural Development division. RBEG grants are made to public bodies, private non-profit corporations and federally-recognized Indian Tribal groups to finance and facilitate development of small and emerging private business enterprises.⁸ Businesses assisted must have less than 50 new employees and less than \$1 million in gross annual revenues. Grants cannot be used for agriculture production but can be used for agriculturally-related enterprises.

The funding for the *National Research Initiative* (NRI) Competitive Grants Program is allocated annually to implement a merit-based peer-reviewed research program aimed at responding to the

⁷ This is particularly true for agriculturally-based areas of the Midwest and Great Plains. *Swept Away: Chronic Hardship and Fresh Promise on the Rural Great Plains*, Center for Rural Affairs, 2003.

⁸ Any such enterprise must be located in areas outside the boundary of a city or unincorporated areas of 50,000 or more including immediately adjacent urbanized or urbanizing areas.

nation's food, fiber and natural resource challenges. The program is housed at USDA's Cooperative State Research, Education, and Extension Service (CSREES).

The *Initiative for Future Agriculture and Food Systems* (IFAFS) was reauthorized in the 2002 Farm Bill as a competitive grants program funding applied, integrated research, education and extension projects to support four key areas: future food production, farm income, environmental protection and rural community and economic development. Since the Farm Bill, Congress has opted to combine funding for IFAFS with funding for NRI. Funding in 2005 reflects an identical proposal to the one Congress has adopted the past two years. The 2005 Appropriations Act prohibits USDA from spending any of the money for IFAFS, but then adds a portion of the money back as an appropriated 20 percent subset of total NRI funding to be spent "under the same terms and conditions" as IFAFS.

Table 1 below shows the total appropriations for the four programs we assessed. Both 2001 and 2002 funding levels are shown. Funding over the two years totals \$499.1 million for all four programs combined.

Program	2001	2002
	Appropriations	Appropriations
Rural Business Enterprise Grants ⁹	\$46.6M	\$46M
	Discretionary	Discretionary
Value Added Producer Grants ¹⁰	\$20M	\$40M
		Mandatory ¹¹
Initiative for Future Agriculture and Food Systems	\$120M ¹²	\$0 ¹³
	Mandatory	
National Research Initiative	\$106M	\$120.5M
	Discretionary	Discretionary

TABLE 1. Program Spending, 2001-2002

⁹ The Fund for Rural America added \$5 million to RBEG in 2001.

¹⁰ The Value-Added Program was called "The Value Added Agricultural Products Marketing Program" in 2001. It was funded by \$10 million in mandatory crop insurance bill monies and \$10 million in discretionary dollars from the emergency supplemental bill. The program was focused on processing.

¹¹ In 2002, the Value-Added Producer Grant Program was authorized in the Farm Bill with \$40 million in mandatory funding. The definition of "value-added" was amended to include not only processing, but how something was grown or raised.

¹² In 2001, IFAFS funding was actually spending dollars allocated in 2000.

¹³ In 2002, the NRI appropriation was to also target 36 percent of the total funding to "IFAFS-like" program areas. Our findings show it was likely much less than that.

Methodology for Assessment

A. FOIA Process and Collection of Materials

Following guidelines established by the Freedom of Information Act (FOIA), we requested all funded proposals from the 2001 and 2002 grant cycles for the VAPG, RBEG (agriculture grants only), IFAFS and NRI (select program areas) grant programs. In some cases proposals we sought had portions exempted for either privacy or proprietary reasons.

In most cases the withheld information was not critical for deciding the relevancy of the project to our target audience. In cases where information about a project was not sufficient to determine relevancy, we contacted either the applicants or USDA rural development state-level staff or other appropriate staff depending on the program and agency.

B. Review of Proposals and Data Gathering

CFRA's proven small farm research relevancy assessment tool (see Appendix A) modified for this project was used to determine the scale of relevancy of the funded projects to beginning and small- and mid-size farmers.¹⁴ Sixteen factors determine relevancy:

- | | |
|---|--|
| <ul style="list-style-type: none"> ◦ Improves farmer-consumer relationship ◦ Does not concentrate land ownership ◦ Enhances value-added; increases farm share ◦ Builds rural marketing infrastructure ◦ Appropriate scale technology ◦ Emphasis on improving management ◦ Emphasizing on-farm resources ◦ Diversifies farm income choices | <ul style="list-style-type: none"> ◦ Improves farm quality of life ◦ Moderate capital requirements ◦ Farmers part of design ◦ Multi-disciplinary ◦ Increases technical choices for farmers ◦ Minimizes barriers for beginners ◦ Includes on-farm research ◦ Reduces environmental compliance costs |
|---|--|

Four reviewers independently scored the proposals for each measure listed above. Scores were based on a scale of 1 to 10, with ten the "best" score. Scores were then totaled for each project reviewed.

Findings

A. Follow the Money

Table 2 below details the amount appropriated in fiscal years 2001 and 2002 for each program and the percentage of appropriations to the projects reviewed and to the projects determined as "good" for small- and mid-size farmers and ranchers.

¹⁴ This assessment tool was developed by CFRA in cooperation with USDA, researchers and reviewers for the report *Public Promises Made – Public Promises Broken*, Center for Rural Affairs, 2000.

<i>Program</i>	<i>Total Funding 2001 and 2002</i>	<i>Total Funding for Projects Reviewed</i>	<i>Pct. for Projects Reviewed (of total)</i>	<i>Total Funding for "Good" Projects¹⁵</i>	<i>Pct. for "Good" Projects (of total)</i>
<i>RBEG</i>	\$92.6	\$5.4	5.8	\$996,610	1.1
<i>NRI</i>	\$226.5	\$3.939	1.7	\$436,793	0.2
<i>IFAFS</i>	\$120.0	\$23.0	19.2	\$11.277	9.4
<i>Total</i>	\$439.1	\$32.339	7.4	\$12.710	2.9

Dollars in millions unless indicated otherwise

TABLE 2. Program Spending by Projects Reviewed

Of the three programs examined, IFAFS was obviously the most beneficial to small- and mid-sized farmers and ranchers, and by extension, in our opinion, rural communities. Over 49 percent of IFAFS funds in the projects reviewed went to projects determined to be good for small- and mid-sized farmers and ranchers.

However, even in the IFAFS program, less than 10 percent of the total funding went to projects determined to be beneficial to small- and mid-sized farmers and ranchers. RBEG and NRI were even less beneficial to the targeted populations. In total, of over \$439 million dedicated to these programs, less than three percent went to projects determined to be beneficial to small- and mid-sized farmers and ranchers.

B. Making the Grade

CAVEAT: Again, assigning a particular score to a particular project does not necessarily mean that project is not worthy of funding or without merit. It simply means it did not score well on the measures used for this study.

RBEG projects received an average mark of 64 percent of a perfect score (160 total points). Five out of 52 projects scored an "A", while 10 projects each scored a "B" and "C".

Average = 101.4, 63.4 percent of perfect score (160)
Median = 110, 68.8 percent of perfect score
A (144-160): 5 projects, 9.6 percent of total
B (128-143): 10 projects, 19.2 percent of total
C (112-127): 10 projects, 19.2 percent of total
D (97-111): 9 projects, 17.3 percent of total
F (96 or below): 18 projects, 34.6 percent of total

¹⁵ "Good" projects are defined as those projects obtaining a total score of 80 percent or greater of a perfect score (160 points).

States with projects that scored highly for their relevance to beginning, small- and mid-size farmers and ranchers were spread from Vermont to New Mexico. For example, Vermont and Colorado each had three such projects, Iowa had two, and Illinois, Michigan, Tennessee, South Carolina, and New Mexico each had one. Both Iowa projects received strong “B” scores.

NRI projects received an average score of 47 percent of a perfect score. Only one project, located in Washington State, received an “A”. Most of the rest, 13 out of a total of 16 projects, received an “F”, while 2 got a “D”. Iowa had one of the projects with such a score.

Average = 75.25, 47 percent of a perfect score (160)
 A (144-160): 1 project, 6.2 percent of total
 B (128-143): 0 projects
 C (112-127): 0 projects
 D: (97-111): 2 projects, 12.5 percent of total
 F (96 or below): 13 projects, 81.2 percent of total

IFAFS projects earned 76 percent of a perfect score. Most projects reviewed were beneficial to small and mid-size farmers and ranchers and to beginners. Almost 54 percent scored an “A” or a “B”.

Average = 121.8, 76 percent of a perfect score (160)
 A (144-160): 3 projects, 23.1 percent of total
 B (128-143): 4 projects, 30.8 percent of total
 C (112-127): 3 projects, 23.1 percent of total
 D (97-111): 0 projects
 F (96 or below): 3 projects, 23.1 percent of total

Table 3 outlines average scores in each program examined for each of the 16 assessment measures.

<i>Factor</i>	<i>RBEG</i>	<i>NRI</i>	<i>IFAFS</i>
Farmers Part of Design	6.6	3.4	7.0
On-Farm Research	3.9	5.7	8.2
Appropriate Scale Research or Technology	7.2	6.4	8.5
Emphasizing On-Farm or Local Resources	6.6	5.9	8.8
Emphasis on Improving Mgmt. Skills	6.7	5.9	8.0
Improves Farm or Local Quality of Life	7.1	5.2	7.8
Enhances Value-Added; Increases Farm Share	7.7	4.9	7.5
Doesn't Concentrate Land Ownership	7.5	5.6	8.4
Multi-Disciplinary	4.7	5.3	8.5
Minimizes Barriers for Beginners	5.7	2.8	6.0
Moderate Capital Requirements	6.6	4.9	7.3
Builds Rural Mktg. Infrastructure	8.0	2.2	6.1
Increases Tech. Choices for Farmers	5.4	4.1	7.7
Diversifies Farm Income Choices	7.0	4.2	8.0
Reduces Environmental Compliance Costs	3.7	6.4	7.2
Improves Farmer/Consumer Relationship	7.4	2.6	7.2
Total	101.4	75.25	121.8
Percent of Perfect Score	64%	47%	76%

TABLE 3. Average Scores by Assessment Measure

Based on these scores, some general observations are offered for each program:

RBEG

RBEG scores highest in those measures concerning creating marketing and consumer relationships. Since RBEG is a program designed to develop rural businesses, this is to be expected. Many of the highest scoring RBEG projects concerned creation of local and regional farmers markets, other direct marketing vehicles for agricultural products and the building of markets between agricultural producers and users. RBEG projects scored worst in terms of traditional research measures such as employing on-farm research and using a multi-disciplinary approach. In general, those measures did not apply even to the highest scoring RBEG projects.

NRI

NRI projects did not score high on any measure. NRI projects scored highest in technical measures and in traditional research measures such as appropriate scale of research and technology and reducing environmental compliance costs. Again, this is to be expected – NRI is a traditional, academic research program. NRI scored lowest in many of the measures RBEG scored highest – building rural business infrastructures and farmer-consumer links. Given the objectives of the two programs this is not surprising.

IFAFS

IFAFS projects generally scored highest in the same categories as RBEG – building rural business infrastructures, creating farmer-consumer links, and creating economic choices for rural people. IFAFS projects, however, generally scored higher in these categories than did RBEG projects. Again, the objectives of the programs are likely reasons – IFAFS had the objective to create such businesses and opportunities in the food and agricultural sectors; while an eligible category in RBEG, food and agricultural businesses are not the primary objectives of the program.

All three programs were generally lacking in projects benefiting beginning farmers and ranchers. Given the demographics of agriculture in America, the inability of major USDA research and grant programs to address the topic of beginning farmers and ranchers is disappointing.

Lessons and Recommendations

One clear lesson is that there are vast differences in interpretation and implementation of the RBEG program at the state level. As we requested proposals through the FOIA process we were often told by state-level staff that RBEG grants cannot be used for agriculture. In part this is true. They are not to be used for production purposes. However technical assistance, grants for equipment and for hiring marketing specialists or for expanding cooperatives or farmers market were all examples of how RBEG grants are being used by some states.

An RBEG grant for \$40,000 went to a Michigan project “Local Lamb on Local Tables: Building a Lamb Producer Cooperative” in 2002. The project assisted farmers in researching the feasibility of starting a producer-controlled organization dedicated to marketing a labeled lamb product. The Michigan Agricultural Stewardship Association (MASA) was the applicant. Their partners included the Natural Resources Conservation Service (NRCS) of USDA, Michigan State University (MSU) Extension, Michigan Department of Agriculture (MDA), Wolverine Packing Company, GreenStone

Farm Credit Services (FCS) and the Northern Michigan Sheep Improvement Association. They set out to accomplish six tasks: 1) chart a marketing strategy, 2) build product identification, 3) research business structure, 4) establish carcass quality parameters, 5) establish eco-friendly production standards, and 6) recruit producers.

It is also interesting to note that a packer and a credit service business are involved. Growing such a lamb cooperative not only helps to keep the area's sheep producers in business, but also helps keep the packer and the credit company viable as well. We gave this project an "A" grade.

An area where we think USDA can improve is to bring farm and ranch enterprises, farmers market and cooperative members together with state Rural Development staff to look at ways that RBEG can be used for agriculture and food related businesses.

Preliminary Policy and Program Recommendations

A. Legislative

1. 2007 Farm Bill

- ▶ Propose a targeted amount of funding be directed to RBEG, VAPG, NRI and IFAFS programs (now a subset of NRI) that serve family farmers and rural communities using our selected criteria as a guideline.
- ▶ Set aside a specific amount of each program for projects concerning beginning farmers and ranchers.
- ▶ Direct more resources in NRI to programs that directly serve small, mid-size and beginning farmers and ranchers and that help build vitality in rural communities using the Initiative for Future Agriculture and Food Systems as a model. Ensure that the NRI request for proposals reflects the language of the priority mission area of IFAFS -- farm profitability and the "competitiveness and viability of small and medium-size dairy, livestock, crop and other commodity operations" -- in the IFAFS related areas for which it solicits proposals. Absent specific language encouraging such proposals and specific instructions to the review panels to weigh the subject heavily, this purpose will likely be ignored by those assessing other Mission areas. The result is that proposals running directly counter to this Mission will likely be adopted.
- ▶ Include funding to train national and state-level Rural Development and CSREES staff in ways these programs can assist small- and mid-size and beginning farmers and ranchers and rural communities. Include small- and mid-size farmers and ranchers and rural community business and other leaders, rural researchers, extension agents and other potential beneficiaries in the training – to share what their needs are and what works and doesn't work.

2. Budget Legislation

- ▶ We urge Congress to increase the IFAFS set-aside of total NRI funding from 20 percent to 25 percent and to direct USDA to spend at least half of that amount for projects that foster family farm profitability, environmental protection and rural economic and community development. We also suggest the program pay particular attention to new markets, locally-owned, value-adding enterprises, and non-farm self-employment and entrepreneurial opportunities.

► The RBEG program serves a definite and special niche in rural development. However, it is being targeted for elimination and inclusion in the proposed Strengthening America's Communities Initiative. We think that is a mistake. RBEG, as used as some states have, can provide needed funding for projects that will enhance the economic opportunities of small- and mid-sized farmers and ranchers and benefit the economies of their communities. RBEG can provide funding for unique and creative projects employing agricultural production at a local level at an appropriate scale in a way that a large national program that combines both rural and urban communities cannot.

B. Executive

1. USDA changes

► Include farmers and other end users, including organizations representing sustainable agriculture issues and concerns, in a very substantial way in the evaluation panels selected to review and rank the IFAFS and NRI proposals.

► Increase oversight of the RBEG program, which is administered at the state level through USDA Rural Development. Proposal evaluation procedures should include serious economic, environmental, and social and community impact assessments.

► Clarify to state USDA Rural Development officials that RBEG can be used for projects related to agriculture. The message that RBEG cannot be used for agriculturally-related projects is communicated to farmers, ranchers and other agricultural interests in some states; many good projects that might benefit small- and mid-sized farmers and ranchers and their communities are going without resources because of a lack of understanding of the program.

2. Leadership from the Top

► An on-going program of education for USDA rural development and CSREES staff on the full utilization of their programs and how they can serve different constituencies such as small, mid-size, minority and beginning farmer/ranchers.

► USDA should develop criteria to ensure that agricultural research and development programs simultaneously address issues of farm profitability, environmental protection and rural community success.

Conclusions

USDA falls woefully short in its service to mid-size farms and rural communities and in where dollars are targeted. Greater understanding by USDA of how it can best serve mid-size and beginning farms and ranches is needed. Our preliminary findings show that the RBEG and NRI programs are especially in need of review for the lack of attention to the problems and needs faced by small- and mid-size and beginning farmers and ranchers and rural communities.

Further study is needed into how these programs can better serve these target populations. For our final report, we will further analyze these programs and include an analysis of the Value-Added Producer Grant program.

APPENDIX A

Categories of Relevancy for NRI Review of 1998 and 1999 Small and Mid-Sized Farm and Land Management Systems Fully Funded Proposals

Small and Mid-Sized farm/land management *Strong* projects:

1. **Small/mid-sized Farm/land management – Systems, Specific (SF+):** Multidisciplinary research specific to small farm systems. Designed to improve and/or increase understanding of small/mid-sized farm/land management, production practices; small scale specific and not neutral.
2. **Small/mid-sized Farm/land management– Systems, Comparative (SF):** Multidisciplinary research into small farming/land management systems, part of a comparison to other systems. Increases knowledge of small farm/land systems dynamics.
3. **Small/mid-sized Farm/land management– Educational (SE):** Demonstration and training projects, related to outreach and dissemination or economic/social analysis related to small farms.
4. **Small/mid-sized Farm/land management – Component, Explicit (SC+):** Specific to small farm/land management systems but single disciplinary research. Designed to improve and/or increase understanding of small farm/land management production practices,

“Transitional” Small mid-sized farm/land management projects:

1. **Potentially small and mid-sized Farm/land management (PS):** Projects that potentially may help small and mid-sized farms/land owners but not identified in the body of the funded proposal as specific to them. Also included in this category are those proposals that have potential relevancy to small and mid-sized farms or land owners but which would more appropriately be funded as basic research in another category within agricultural systems/NRI or by another area outside of agricultural systems.

Small farm/land management *Weak* projects:

2. **Non-specified Small and mid-sized Farm/land management systems (NS):** Not specific to small farms, and not clear that there is potential for the funded research to benefit small and mid-sized farmers/land owners economically, socially and/or environmentally (minimum criteria for systems/sustainability).

Projects *Unrelated* to small and mid-sized farm/land management:

1. **Large Scale-Biased (LB):** Research more specific in scale to large farms/land managers. Projects in this category may actually lead to greater concentration in agriculture; posing an uncertain risk to the economic viability of small and mid-sized farms/land owners and to the degradation of rural communities and economies.
2. **Unrelated (U):** Unrelated to small/mid size farm/land management and not using agricultural systems approaches.

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Questions posed in the small farm assessment tool:

1. Are farmers included in the research design?
2. Is on-farm research included in the project?
3. Is the research/technology appropriate in scale to small farms?
4. Does the project emphasize utilization of existing on-farm resources?
5. Does the project emphasize improvement of management skills?
6. Does the project improve quality of life on the farm/ranch?
7. Does the project enhance opportunity for adding value to the farm product? Does it increase the farm share of the profit?
8. Is land ownership likely to be further concentrated as a result of the project?
9. Does the project take a multi-disciplinary approach?
10. Are barriers to beginning farmers minimized in this project? Are beginning farmers encouraged?
11. Will small farmers need other than moderate capital requirements to take advantage of the project outcomes?
12. Does the project build rural marketing infrastructure?
13. Does the project increase technology choices for small farmers?
14. Are farm income choices diversified as a result of the project?
15. Are compliance costs associated with the farming operation reduced as a result of the project?
16. Are farmer to consumer relationships improved as a result of the project?