Promising Opportunities

A Fresh Look at Opportunities for Rural Communities

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Rural Research and Analysis Program
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Table of Contents

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The authors also acknowledge the collaboration that developed many of the proposals outlined in this report. Many of the policy proposals and rationale within this report derived from the Sustainable Agriculture Coalition's 2007 Farm Bill Platform are so noted. The Center for Rural Affairs and other various members of the Sustainable Agriculture Coalition worked in collaboration to develop these proposals. The policy proposals and their rationales included in this report can be more fully examined in the 2007 Farm Bill Platform, www.sustainableagriculturecoalition.org.

ABOUT THE CENTER FOR RURAL AFFAIRS

Established in 1973, the Center for Rural Affairs is a private, non-profit organization with a mission to establish strong rural communities, social and economic justice, environmental stewardship, and genuine opportunity for all while engaging people in decisions that affect the quality of their lives and the future of their communities.

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Introduction

In 2004, we published and released a report highlighting economic development strategies that were working for communities across the rural Great Plains. *Fresh Promises* focused on these opportunities and divided them into six categories that are crucial for viable rural communities, especially ones that are agriculturally-based. These categories are again highlighted in this report—one that looks at potential legislation that is necessary for these economic opportunities to be replicated in other communities, regions, and states.

This report, though intended to address issues that the 2007 Farm Bill should and could address, includes proposals that could easily be modified for use at the state level. We have also included some state policies that are currently in place and could be replicated in other states, or at the federal level. It is our hope that policymakers will take these ideas and examples and create opportunities for their rural constituents.

Rural economic development has been neglected for too long. The mission of United States Department of Agriculture Rural Development, "to increase economic opportunity and improve the quality of life for all rural Americans" is not reflected in funding for rural economic development initiatives. Three percent of the current fiscal year United States Department of Agriculture budget is dedicated to rural development. Of that three percent, 10 percent is devoted to rural business development—less than one percent of the entire United States Department of Agriculture's budget (the remainder going to rural housing and utility programs).

Fresh Promises: Highlighting promising strategies of the rural Great Plains and beyond can be found on the Center for Rural Affairs' website, www.cfra.org or by contacting (402) 687-2100 or info@cfra.org.

Community-wide Development Efforts Based on Local Environment

Rural community development has been hindered by a need to maintain the status quo. Struggling rural communities tend to grasp at the obvious economic development tools—trying to pull in large employers or other types of "factory jobs." Rural communities typically don't have the population base to accomplish such a feat.

Community-wide development efforts have taken a new face. Instead of pure self-promotion, small communities are finding more positive outcomes through regional collaborations. Policy needs to reflect the needs of the smallest communities with limited resources. By focusing on community assets and collaborations, these communities can experience some success.

Cooperative Conservation Partnership Initiative

Public access to natural space can be a development asset for communities. It can draw young families to start businesses, populate schools and revitalize communities. And it can provide the basis for new tourism-related self-employment opportunities involving bed and breakfasts, hunting, horseback riding, hiking, biking, wildlife viewing, etc. Policy such as the Cooperative Conservation Partnership Initiative[1] could help develop such local resources and create new economic opportunities.

The Cooperative Conservation Partnership Initiative is a voluntary program established to foster conservation partnerships that focus technical and financial resources on conservation priorities in watersheds and airsheds of special significance. Under Cooperative Conservation Partnership Initiative, funds are awarded to state and local governments and agencies; Indian Tribes; and non-governmental organizations that have a history of working with agricultural producers. The Cooperative Conservation Partnership Initiative is a component of the Conservation Technical Assistance Program, established under authorities provided by the Soil Conservation and Domestic Allotment Act of 1935, [16 U.S.C. 590a et seq]. The Natural Resources Conservation Service administers the Cooperative Conservation Partnership Initiative.

The Cooperative Conservation Partnership Initiative should be implemented on a competitive basis with public and private entities eligible to submit initiative proposals covering the full range of resource concerns. Up to 20 percent of a state's farm bill conservation program funding allocation should be available for cooperative conservation projects. Funds for selected projects should include financial and technical assistance, education and outreach, and monitoring and evaluation.

There should be flexibility in program rules to tackle specific local problems and opportunities. For example, the flexibility would allow for bonus payments to landowners who enroll in the Conservation Reserve Program, Wetland Reserve Program, or the Grassland Reserve Program as part of a community plan to use access to natural space as a development asset.

[1] Sustainable Agriculture Coalition 2007 Farm Bill Platform, http://www.sustainableagriculturecoalition.org/farmbill/PolicyBackgnd-ConservationTitle.pdf, accessed September 18, 2007. Originally introduced in the 2002 Farm Bill as Partnerships and Cooperation Initiative. Congress approved Partnerships and Cooperation as part of the Farm Bill to stimulate multi-producer projects to address local resource problems and community development.

A partnership approach can both increase the overall local and regional benefits from federal conservation programs and also leverage and pool conservation funds and expertise in a focused manner. By emphasizing projects that have both conservation and community amenity benefits, the program can multiply its positive contribution. The Farm Bill should direct the Natural Resources Conservation Service to implement it primarily through its State Offices, in coordination with State Technical Committees, to help build the capacity of local and regional organizations to partner with farmers and to ensure full utilization of the initiative**.**

U.S. Representative Tim Walz (D-MN) introduced an amendment to the current Cooperative Conservation Partnership Initiative proposal in the 2007 Farm Bill. This amendment was adopted by the U.S. House Agriculture Committee. Walz's amendment expanded the program to include projects that work to foster both community development and environmental enhancement.

Renewable Energy

Energy Title of the 2007 Farm Bill

The Administration's Farm Bill proposals include more than $1.6 billion in new renewable energy funding and targets programs to cellulosic ethanol projects. These proposals advance renewable energy and build upon farm bill energy programs by:

- Providing $500 million for a bioenergy and biobased product research initiative. Advances in technology play an important role in the future of renewable energy. Our scientists, farmers, and entrepreneurs must coordinate efforts to continue improvements in crop yields and work to reduce the cost of producing alternative fuels.

- Providing $500 million for renewable energy systems and an efficiency improvements grants program. This program supports small, alternative energy and energy efficiency projects that directly help farmers, ranchers, and rural small businesses.

- Providing $210 million to support an estimated $2.1 billion in loan guarantees for cellulosic ethanol projects in rural areas. This program will advance the development of cellulosic ethanol production.

A Sustainable Agriculture Energy Innovation Grants Program[2] should be a part of the 2007 Farm Bill. This program could be used to determine the environmental and economic feasibility of producing energy from different feedstock crops through innovative demonstration projects.

The Senate's *Farm to Fuel Investment Act*, S. 1403, amends the Farm Security and Rural Investment Act of 2002 to provide incentives for the production of bioenergy crops like switch grass. Program commodity crops would not be eligible. Producers would receive assistance for the three years needed for switch grass to develop its first harvest and the time to develop a biorefinery that would purchase the crop. Among the guidelines for producers to participate, producers must be located within a 50-mile radius of the biorefinery, and agree to certain conservation practices for soil and water quality and wildlife habitat.

[2] Sustainable Agriculture Coalition 2007 Farm Bill Platform, Renewable Energy proposal. http://www.sustainableagriculturecoalition.org/farmbill/PolicyBackgndRenewableEnergy.pdf accessed June 15, 2007.

State Initiatives

Agritourism is a booming industry in many states. Drawing on their local history, amenities, and people, a region or state can turn what is everyday and ordinary to them into something extraordinary for someone else. Many states are recognizing this opportunity and putting state monies behind local efforts.

Tennessee Agriculture Enhancement Program – Producer Diversification Cost Share Program[3]

The purpose of this program is to increase farm income in Tennessee by encouraging producers to expand and improve their operations through production of diversified agricultural products. This goal will be achieved by providing cost share funds for farmers to install farm infrastructure, purchase specialty equipment, and market their diversified farm products.

Diversified agricultural products include agritourism, aquaculture, bees, fruits and vegetables, goats and sheep, horticulture, organics, value-added products, viticulture, and others as approved by the Tennessee Department of Agriculture.

This initiative is funded through an appropriation for farm programs in the state's budget as proposed by Governor Phil Bredesen and supported by the Tennessee General Assembly.

Producers can apply for reimbursement of 35 percent cost share, up to the maximum, for activities or items within three funding categories. The maximum cost share available per producer is $10,000 per fiscal year. Producers may submit only one application per fiscal year.

Beginning in FY 2007, producers meeting special requirements in the priority areas of Agritourism, Goats and Sheep, Organics, and Viticulture are eligible for reimbursement of 50 percent cost share, up to the maximum of $15,000 per fiscal year.

Kansas Agritourism Promotion Act[4]

The purpose of the Kansas Agritourism Promotion Act, Senate Bill 334, is to promote the growth of the agritourism industry in Kansas by limiting liability, create a registration process for state assistance in the promotion of agritourism operations, and create a tax credit to offset the expense of agritourism liability insurance for existing and new operations.

Those wishing to participate in agritourism and receive assistance with promotion of their business, can register free of charge with the Kansas Department of Commerce. Applicants include a description of their project, activity(s) conducted and the location of the agritourism operation. Once registered, the Department of Commerce will promote operations in conjunction with all other tourism and rural development promotions.

A tax credit is available to owners of agritourism operations to help with the cost of liability insurance. The Department of Commerce determines which costs qualify as agritourism liability insurance costs.

The tax credit is an amount equal to 20 percent of the agritourism liability insurance, not to exceed $2,000 in any tax year and is refundable. For current agritourism operations, this tax credit is available for tax years

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[3] Tennessee Department of Agriculture. Please direct any questions concerning this program to: Agricultural Growth Initiative Coordinator, Tennessee Department of Agriculture, PO Box 40627, Nashville TN 37204; (615) 837-5346—Phone; AgGrowth@state.tn.us. http://www.tennessee.gov/agriculture/enhancement/growth.html, accessed June 22, 2007.

[4] Sarah Larison, Agritourism Marketing Specialist, Kansas Department of Commerce. 1000 SW Jackson Ave, Suite 100, Topeka KS 66612. Phone: 785-296-8132. slarison@kansascommerce.com.

commencing on or after December 31, 2003, through 2007 (five tax years). For new operations, this tax credit is available for the first five years commencing after they open their agritourism operation.

Wind Power Tax Incentives

Wind power is an untapped economic development resource for many states. Despite an abundant and renewable local resource, the production of power from wind remains marginal compared to its potential. The states of the Great Plains—in conjunction with utility providers and electrical cooperatives—have begun to place a greater emphasis on wind power as a source of local power generation.

Communities of differing sizes can take advantage of a nearly constant resource in wind power. This long-term commitment to the local environment will serve to make a community a more attractive place for economic and community development. Several states offer financial incentives for wind production, many in the form of tax incentives and breaks.

Iowa's Wind Energy Production Tax Credit

Enacted in 2004, Iowa provides tax credits equal to one percent per kWH of electricity sold for the first 10 years of a wind project placed in operation between July 2005 and June 2008. The credit is capped at 450 MW of eligible projects. Any wind facility in Iowa is eligible for this credit. However, a facility owner may not own more than two qualified facilities. The tax credit is refundable for up to seven years. Additionally, the project must be approved by the county board of supervisors in which the project is located.[5]

Production Payments

Production payments in Minnesota, California, Massachusetts, Nevada, New Jersey, Washington, and federally provide direct cash payments to energy producers based on the amount of energy produced.[6] Production payments increase profitability and encourage production in the same way as a production credit, but are often structured to provide an incentive to entities that are unable to take full advantage of tax credits.

Federally Renewable Energy Production Incentive

This federal incentive provides price support to tax-exempt entities not eligible to use federal tax credits; eligible entities include tribes, state and local governments, municipal electric companies, rural electric cooperatives, and other non-profit entities. Indexed for inflation, the Renewable Energy Production Incentive rate is 1.9 cents per kWH.[7] Payments are not guaranteed because annual appropriations are not adequate to fund full payments to all qualified facilities. Full payments are made to Tier1 facilities, which include all wind facilities. Then Tier2 facilities receive partial payments from any remaining funds. If sufficient funds are not available for full payments to all Tier1 facilities, partial payments are made on a pro-rata basis to Tier1 facilities only. Unfunded production from prior years is added to the funding eligibility in future years.

Authorization for new projects had expired in 2003, but the program has now been extended and reauthorized to include projects in use before October 1, 2016.

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[5] See Iowa Code § 476B and Iowa Admin. Code R 199-15.18 (2006).

[6] Database of State Incentives for Renewable Energy (DSIRE), *Financial Incentives for Renewable Energy* (table). http://www.dsireusa.org/summarytables/financial.cfm?&CurrentPageID=7&EE=0&R1 accessed June 5, 2007.

[7] See IRS Form 8835.

Minnesota Renewable Energy Production Incentive

Enacted in 1997, cash payments of 1 to 1.5 cents per kWH of generated renewable energy (from wind, solar, and biogas) are provided over 10 years of project operation for projects with less than two MW of nameplate capacity. The project must be majority-owned by a Minnesota resident, business, governmental unit, municipal utility, or cooperative electric association. The program is supporting 225 MW of wind production and stopped taking applications on January 1, 2005.[8]

Tax Credits for Installation Costs

North Dakota

North Dakota provides a state income tax credit for the cost a of wind energy devices installed before January 1, 2011. If installed before January 1, 2001, the state allows credit for five percent of the acquisition and installation costs of the wind turbine each year for three years. If it is installed after December 31, 2000, the state allows a credit for three percent of the acquisition and installation costs for each year, up to five years. The credit is refundable for up to five years.[9]

Oregon

Business Energy Tax Credit[10]—is intended for energy production for sale or on-site use. The amount of the credit is up to 35 percent of eligible costs, with a maximum amount of $3.5 million per project. Ten percent is allowed in years one and two and five percent each year thereafter. If the project is under $20,000 the entire credit may be taken in the first year. The credit is refundable for up to eight years.

A special provision of this credit is the pass-through option, which allows a project owner to transfer the tax credit to a pass-through partner in return for a lump-sum payment; the amount of which is determined by the state. The pass-through option can be used by those entities that are not subject to Oregon income tax (i.e., non-profits and government units) or by other project owners who do not have enough Oregon tax liability to fully utilize the credit.

The pass-through payments equal the net present value of the tax credit, as determined by the Oregon Department of Energy. As of 2003, the five-year Business Energy Tax Credit pass-through option rate was 25.5 percent, and the one-year Business Energy Tax Credit pass-through option rate was 30.5 percent. As of July 2005, 7,400 tax credits had been issued under the Business Energy Tax Credit, representing projects that generate or conserve an estimated $215 million worth of energy per year.

Oregon residents who install residential wind energy equipment are eligible for the Residential Energy Tax Credit[11]. This tax credit is equal to 60 cents per estimated kWh conserved or offset by renewable energy generation during the first year, up to $1,500. Qualifying costs include wind measuring equipment, turbines, towers, additional components, engineering costs, utility interconnection equipment, installation, and additions to a system in future years. The total credit may be taken in the first year, carried forward for up to five years, or a pass-through option similar to the Business Energy Tax Credit may be used.

The combined spending on the Business Energy Tax Credit and Residential Energy Tax Credit programs for 2003 totaled $30.9 million for tax credits and program administration. These tax credits, combined with spending by businesses and residences taking advantage of them, had the following net impacts on the Oregon

[8] Minnesota Department of Commerce, *Energy Info Center: Renewable and Efficiency Incentives*.
[9] ND Cent. Code § 57-38-01.8(1) (2005).
[10] Oregon Department of Energy.
[11] Id.

economy in 2003:[12]

- Output in Oregon's economy increased by $42.5 million
- 182 new jobs were created in Oregon
- Oregon wages increased by $8.6 million
- Tax revenues for state and local government increased by $2.7 million
- Oregon commercial and residential energy costs decreased by $27.9 million

Property Tax Exemptions

Property tax incentives can save a wind project owner significant costs, but likely are not enough motivation to generate new projects. Although property tax relief is important, especially to landowners, it is not an economic development tool to the community that loses out on additional property tax revenue. States offering property tax relief for wind projects include:

- Minnesota and North Dakota—exempt property taxes on wind energy equipment
- Iowa—reduces or eliminates all added value to property due to the installation of wind energy systems
- Oregon—excludes additional value from the assessment resulting from the installation of the system

Sales Tax Exemption

Iowa and Minnesota exempt from sales tax the sale of wind energy conversion property and materials used to manufacture, install, or construct a wind energy facility.

North Dakota exempts owners and operators of qualifying wind turbines with a nameplate capacity of 100 kWH or more from any sales or use tax on projects that began construction after June 30, 1991, as long as completion is before January 1, 2011.

Colorado provides a sales tax refund for renewable energy equipment including wind systems, subject to available funding each year.

Other Renewable Energy Incentives

Iowa has launched a statewide "Power Fund" to invest $100 million in support of energy research and development in an effort to expand economic opportunities in the state's energy sector. The fund will also help the state increase investment and create jobs in the field of energy.[13]

Overseen by the Office of Energy Independence, the Iowa Power Fund will award grants to Iowa businesses and researchers who aim to develop and commercialize products dealing with renewable energy, emerging bio-fuels, or increased energy efficiency. A committee representing higher education, business, and the Department of Economic Development will consider proposals. As grants are awarded, the Office of Energy Independence will be charged with working with both businesses and state agencies to increase investment in the fund going forward.

[12] *Economic Impacts of Oregon Energy Tax Credit Programs (BETC/RETC) Final Report*, February 18, 2005.
[13] Introduced and passed as Senate Bill 599, 2007 session.

Community Support for Local Farmers and Ranchers

Traditional agriculture is becoming increasingly difficult for young, want-to-be farmers and ranchers to enter. Decades ago, rural communities grew out of support from agriculture. Today, the increasing size of farms and ranches is taking more people away from the land and decreasing the number of agricultural operations supporting the community. As rural communities lose their population base, they will continue to struggle supporting businesses and infrastructure, and eventually they will look like communities where others don't want to live or return. Public policy needs to support a new generation of farmers and ranchers, making way for communities to better support themselves and their residents.

Beginning Farmer and Rancher Development Program

The Beginning Farmer and Rancher Development Program[14], authorized in Section 7405 of the 2002 Farm Bill, was the first USDA program other than financing programs targeted to beginning farmers and ranchers.

The Beginning Farmer and Rancher Development Program offers grants supporting education, extension, and technical assistance initiatives directed toward new farming opportunities. Collaborative efforts of local, state, and regional networks and partnerships are called on to supply financial and entrepreneurial training, mentoring, and apprenticeship programs and assistance.

As a part of the 2007 Farm Bill, $20 million should be available annually for grants, with a cap of 20 percent dedicated for education, and an additional 25 percent for refugee and immigrant farmers. Priority should be given to partnerships that have expertise in new farmer training and can focus on financial literacy, preparing this new generation of farmers with all of the necessary tools to get a successful operation off the ground.

Beginning Farmer & Rancher Individual Development Account[15]

Individual Development Accounts (IDA) are matched savings accounts that are typically supported by either government or private sources. The holder of the account deposits money, and the deposit is matched on a pre-determined level. Typically, these accounts are used to help low-income families purchase homes, start businesses, or obtain higher education.

In the case of beginning farmers and ranchers, a similar program would allow for capital expenditures for an operation, including land purchases, buildings, equipment, or livestock. This could also be used in a business transfer, a transition between a retiring land owner/operator and a beginning farmer or rancher.

A program like this could be key for beginners, especially when looking at business transfers involving retiring farmers and ranchers. Many transition plans are aggressive and involve a great deal of saving on the part of the beginner. However, our research has shown that many of these plans are spread over a number of years, ranging from three-year plans to 10-year plans. A long-term plan helps to minimize the burden on the

[14]Sustainable Agriculture Coalition 2007 Farm Bill Platform, http://www.sustainableagriculturecoalition.org/farmbill/PolicyBackgnd-BeginningFarmerInitiative.pdf, accessed June 15, 2007.
[15] Sustainable Agriculture Coalition 2007 Farm Bill Platform, http://www.sustainableagriculturecoalition.org/farmbill/PolicyBackgnd-BeginningFarmerInitiative.pdf, accessed June 15, 2007.

new farmer or rancher as he or she is establishing their operation and decreases the risks of the retiring owner. There is evidence that more financial assistance is necessary to link beginners with retiring farmers. If a plan requires a beginner to "buy out" the retiree, a stronger financial base is often needed. An IDA possessed by a beginning farmer or rancher is one possible method to build a necessary financial base.

This program could be beneficial to those entering niche markets or sustainable agricultural practices, as well. Farmers and ranchers struggle through some lean years as they try to market their products. Securing funding for new agricultural ventures is often difficult.

We would recommend that this program be implemented as a pilot program, administered through Farm Services Agency and include at least 15 pilot state programs with authority for each to enroll up to 25 participants. The program would provide up to $10,000 per year for each account and be contingent on a local match of 20 percent. Up to 20 percent of total funding would be for implementation, outreach, and financial literacy training. The Farm Bill should provide $4.5 million per year for five years for the IDA pilot program. The program should include an annual and five-year evaluation process.

Beginning Farmer & Rancher Down Payment Loan Program[16]

The Down Payment Loan Program was established by the 1992 Agricultural Credit Act and implemented by United States Department of Agriculture beginning in 1994. This special loan program reflects the dual realities of increasingly scarce federal resources and the significant cash flow requirements of most new farm operations. It combines the resources of the Farm Service Agency, the beginning farmer, and a commercial lender or private seller. Because the government's share of the total loan cannot exceed 40 percent of the price, limited federal dollars can be spread to more beginning farmers and ranchers than is the case with traditional 100 percent government-financed direct loans.

Seventy percent of total appropriated funds for direct farm ownership (real estate) loans are targeted to beginning farmers and ranchers. In turn, 60 percent of these funds are targeted to the down payment loan program until April 1st of each year. Unused guaranteed operating loan funds can also be transferred to fund-approved down payment loans beginning August 1 of each year.

Under the program, Farm Service Agency provides a down payment loan to the beginning farmer or rancher of up to 40 percent of the farm's purchase price or appraised value, whichever is less. This loan is repaid in equal installments for up to 15 years, at a four percent interest rate, and is secured by a second mortgage on the land.

The beginning farmer or rancher must provide an additional 10 percent of the purchase price in cash as a down payment. The total purchase price or appraised value, whichever is less, currently cannot exceed $250,000. The remaining 50 percent of the purchase price must be financed by a commercial lender or a private seller on contract. This private financing may also be backed by assistance from a state beginning farmer program, which can frequently provide lower interest rates and longer repayment terms than commercial lenders can offer. The loan or contract must be amortized over a 30-year period but can include a balloon payment due anytime after 15 years of the note.

A commercial loan (for either farm ownership or operation) made to a borrower using the Down Payment Loan Program may be guaranteed by the Farm Service Agency up to 95 percent (compared to the regular 90 percent) of any loss, unless it has been made with tax-exempt bonds through a state beginning farmer program.

Throughout the 1990s, this program was quite successful with new farmers, though loan making activity has

[16] Sustainable Agriculture Coalition 2007 Farm Bill Platform, http://www.sustainableagriculturecoalition.org/farmbill/PolicyBackgnd-BeginningFarmerInitiative.pdf, accessed June 15, 2007.

slowed in recent years. From its inception to midway through the 2006 Fiscal Year, the Down Payment Loan Program has made loans to help 2,728 new farmers purchase their first land, for a loan volume of $124 million.

In the 2002 Farm Bill, Congress, on the advice of the United States Department of Agriculture's Beginning Farmer and Rancher Advisory Committee, increased the Department's share of the partnership loans from 30 to 40 percent and increased the length of the government loan period from 10 years to 15 years.

Unfortunately, the last farm bill did not enact the additional proposed reform of reducing the Farm Service Agency interest rate for Down Payment loans from the current four percent to a floating rate set at a fixed percentage under the regular Farm Service Agency loan rate (e.g., four percent under regular direct farm ownership rates). In the recent run of low interest rate years, the Down Payment Loan Program differential has been too small to make much difference and therefore has reduced the attractiveness of the partnership approach. As a result, the vast majority of direct loans have returned to the traditional 40-year, 100 percent government financing approach or to 50/50 partnership loans between Farm Service Agency and banks.

The 2007 Farm Bill should, most importantly, set the interest rate at four percent below the regular direct farm ownership interest rate, or at one percent, whichever is greater. It should also increase the maximum allowable portion of farm sales price from $250,000 to $400,000 to reflect market realities. Farm Service Agency should continue to direct 70 percent of total direct farm ownership funds to beginning farmers and ranchers. Currently, 60 percent of that is reserved for Down Payment loans. This should be increased to 70 percent for the combination of Down Payment loans and joint financing 50/50 partnership loans.

Beginning Farmer Land Contract Pilot Program

The 2002 Farm Bill established a Beginning Farmer Land Contract Pilot Program[17] to allow the United States Department of Agriculture to provide loan guarantees to sellers who self-finance the sale of land to beginning farmers and ranchers. The pilot program is available in Pennsylvania, Wisconsin, Indiana, Iowa, Minnesota, North Dakota, Nebraska, Oregon, and California. In each state, up to five private contract land sales between a retiring and beginning farmer may be guaranteed under the terms of the pilot project. The program is structured to provide the seller of the land a "prompt payment" guarantee. The guarantee would cover two amortized annual installments or an amount equaling two amortized annual installments. The guarantee also covers two years of taxes and insurance. The guarantee stays in effect for 10 years.

The buyer of a farm or ranch to be guaranteed must be: (a) a beginning farmer or rancher with at least three but not more than 10 years experience in farming or ranching; (b) the owner and operator of the farm or ranch when the contract is complete; (c) have an acceptable credit history demonstrated by satisfactory debt repayment; and (d) unable to obtain sufficient credit elsewhere without a guarantee to finance actual needs at reasonable rates and terms. The purchase price of the farm or ranch to be acquired cannot exceed the lesser of $500,000 or the current market value. The buyer must make a down payment of five percent of the purchase price of the land.

The 2007 Farm Bill should make the Land Contract pilot program permanent law. The current two-year limit on payment guarantee created by regulation should be extended to three years. Consideration should also be given to providing the seller with an option of either a three-year payment guarantee or a standard 90 percent guarantee of the outstanding principal.

[17] Sustainable Agriculture Coalition 2007 Farm Bill Platform, http://www.sustainableagriculturecoalition.org/farmbill/PolicyBackgnd-BeginningFarmerInitiative.pdf, accessed June 15, 2007.

Rural Microenterprise Programs

Spurring innovation and job creation in its communities is the key to ensuring the long-term future of rural America. Most rural communities no longer benefit from traditional strategies and economic models of industrial and business recruitment that export low-value products. Instead, entrepreneurs can generate new economic value for their communities. Economic development strategies based upon entrepreneurship add jobs, raise incomes, create local wealth, improve the quality of life for rural residents, and allow rural communities to function in the global economy.

Despite the evidence that self-employment and small business are the type of jobs that exist and are growing in agriculturally-based communities, state and federal government do relatively little to develop them. Recent literature on small business creation as a development strategy also makes the case for why this is the proper economic development course for rural communities. Contrary to traditional economic theory that views labor as a mobile input to production, entrepreneurs are highly "attached to the places in which they live, regardless of how poor the economy is."[18] While these businesses are often small and may take time to develop, they "should be perceived as resources and nurtured."[19] Assets like businesses bond one to a place and help to build strong, more sustainable communities.

An emphasis on entrepreneurship will revitalize rural economies, help repopulate rural communities, attack the root causes of rural poverty, and address the continuing and growing economic disparity between rural and urban areas.

Rural Entrepreneurs and Microenterprise Assistance Program

Senators Ben Nelson (D-NE), Ken Salazar (D-CO), and Debbie Stabenow (D-MI) recently introduced S.566, the Rural Entrepreneurs and Microenterprise Assistance Program[20]. Through this program, the Small Business Administration would grant and loan funds to rural entrepreneurs and provide education and training to small business owners, ensuring their success.

The purpose of the program is to provide low- and moderate-income individuals with continuing technical and financial assistance as individuals and business are starting up or currently in operation of a small business.

Grants will be made available to qualified organizations that provide training, operational support, or have rural capacity building services to assist the qualified organization in developing microenterprise training, technical assistance, market development assistance, and other related services, primarily for business with five or fewer full-time-equivalent employees. Other eligible activities could include assistance in researching and developing the best practices in delivering training, technical assistance, and microcredit to rural entrepreneurs.

A qualified organization that receives a grant under this program may use the funds to provide assistance to

[18] Servon, Lisa, *Microenterprise Development as an Economic Adjustment Strategy*, Center for Urban Policy Research, Rutgers University, 1999, page 50.
[19] Id.
[20] S.B. 566: To amend the Consolidated Farm and Rural Development Act to establish a rural entrepreneur and microenterprise assistance program. As introduced on February 13, 2007 during the 110th Congress, 1st Session. Also, Sustainable Agriculture Coalition 2007 Farm Bill Platform, http://www.sustainableagriculturecoalition.org/farmbill/PolicyBackgnd-RuralDevelopment.pdf, accessed June 15, 2007.

other qualified organizations, such as other smaller or emerging qualified organizations.

A rural microloan program is also included in S.566. The purpose of the rural microloan program would be to provide technical and financial assistance to sole proprietorships and small businesses located in rural areas with a particular focus on those businesses with five or fewer full-time equivalent employees.

Rural Entrepreneurs and Microenterprise Assistance Program would provide direct loans to qualified organizations for the purpose of making short-term, fixed interest rate microloans to startup, newly established, and growing rural microbusiness concerns. The program also would provide grants to those qualified organizations for the purpose of providing intensive marketing, management, and technical assistance to small businesses. These loans can carry a term of up to 20 years and have an annual interest rate of at least one percent.

Each qualified organization that receives a loan under this program shall be eligible to receive a grant to provide marketing, management, and technical assistance to small business concerns that are borrowers or potential borrowers.

Each microenterprise development organization that receives a loan shall receive an annual grant in an amount equal to not more than 25 percent of the total outstanding balance of loans made to the microenterprise development organization.

As a condition of any grant made to a qualified organization, each organization shall provide a match of no less than 15 percent of the total grant award. The matching share provided by the qualified organization may include indirect costs or in-kind contributions funded under non-Federal programs.

Community Entrepreneurial Development Program

The Community Entrepreneurial Development Program[21] is patterned after Nebraska's Building Entrepreneurial Communities Act[22] and is based on four pillars of rural economic and community development: mobilizing local leaders, capturing local wealth, energizing entrepreneurship, and attracting youth. Entrepreneurship is a strategy to reverse depopulation and aging of many rural communities, a strategy that has the capacity to attract young people and young families to rural communities. When asked, many youth indicate that they would like to own their own business or farm. This program would make available grants to towns and regions with the aim of launching regional partnerships that encourage leadership, youth retention, community education, business transfer planning, and community-based philanthropy.

State Initiatives

Nebraska Rural Development

The Nebraska Unicameral has been supportive of developing micro-enterprise through the Nebraska Microenterprise Partnership Act[23] and the Nebraska Advantage Rural Development Act.[24] The Nebraska Microenterprise Act has the stated purpose of assuring that Nebraska's microenterprises are able to realize their

[21] Sustainable Agriculture Coalition 2007 Farm Bill Platform, http://www.sustainableagriculturecoalition.org/farmbill/PolicyBackgnd-RuralDevelopment.pdf, accessed June 15, 2007.

[22] Building Entrepreneurial Communities Act was a part of LB 90, introduced and signed into law during the 2005 Nebraska Unicameral session and amended by LB 232 during the 2007 Nebraska Unicameral session. A fact sheet can be found on the Center for Rural Affairs website, http://www.cfra.org/resources/nebraska_programs

[23] Nebraska Revised Statutes, Sections 81-1295 to 81-12,105.

[24] Nebraska Revised Statutes, Section 77-27,187.02.

full potential to create jobs, enhance entrepreneurial skills and activity, and increase low-income households' capacity to become self-sufficient. Through the Department of Economic Development, funds are granted to community-based microenterprise development organizations to encourage the development and growth of microenterprises throughout Nebraska through microlending. These organizations can use these funds to leverage additional nonstate support funds.

The Nebraska Advantage Rural Development Act allows for refundable tax credits to taxpayers with qualifying businesses who increase employment and investment in their business. The required number of employees and amount of investment depends on where the business is located. There is also a minimum qualifying wage that is imposed. Approved applicants will be entitled to a refundable tax credit equal to 20 percent of the new investment during the tax year.

Kansas Rural Development

The Kansas Legislature gave final approval to legislation that provides a reliable source of funding for a successful rural development program.[25] The measure was signed by Governor Kathleen Sebelius on May 11, 2007. Enterprise Facilitation[26] has been a mainstay for rural economic development in Kansas since 2001.

The new provision of law is included in legislation that extends the rural development tax credit program through 2012. The provision requires that five percent of the funds raised by sale of rural development tax credits statewide be distributed among the enterprise facilitation projects. If all tax credits are sold, that would generate $30,000 per year to help sustain each project, which is about half the total annual cost of running an enterprise facilitation program.

In Southeast Kansas, the Quad County Enterprise Facilitation project has helped nurture business start-ups and economic development in Chautauqua, Elk, Greenwood, and Woodson counties. Wilson and eastern Cowley counties also have participated in the project. The Quad County project has nurtured about 100 business start-ups since its inception in July 2002.

[25] Kansas House Bill 2004, 2007 Session.

[26] www.sirolli.com; www.enterprisefacilitation.net/usa/usa.html; http://sirolli.blogspot.com/2007_05_01_archive.html (accessed July 17, 2007).

Community-wide Initiatives Focused on Quality of Life Variables

Small towns all face similar challenges—a dwindling population base to provide adequate economic activity and resources to keep the town and its institutions viable. Many communities across the rural Great Plains are trying to stop the trend of depopulation.

Community Food Project Competitive Grant Program

The Community Food Grant Program[27] currently provides for a one-time grant to community-wide projects that foster the growth of local food systems, support local farmers, and help meet the nutritional needs of low-income residents. Preferred projects also develop linkages between two or more sectors of the food system, support the development of entrepreneurial projects, develop innovative linkages between the for-profit and nonprofit food sectors, encourage long-term planning activities, and address the food and agricultural problems of communities, such as food policy councils and food planning associations.

Activities funded in the past include local farmers markets joining efforts with the local schools, creating a Community Supported Agriculture program, permanent facilities for farmers markets, and improving access to fresh produce for low-income families.

United States Department of Agriculture proposes nearly $5 billion[28] to significantly increase support of fruit and vegetable producers through targeted programs and by:

- Providing $1 billion for research programs targeted to specialty crops. This initiative will include fundamental work in plant breeding, genetics and genomics to improve crop characteristics such as product appearance, environmental responses and tolerances, nutrient management, and pest management.

- Providing $3.2 billion to improve nutrition assistance programs by purchasing more fruits and vegetables. This funding will support efforts by schools and other participants to offer meals based on the most recent Dietary Guidelines for Americans by increasing the availability of fruits and vegetables to students participating in the National School Lunch and Breakfast Programs and to participants in other nutrition assistance programs.

Individual Homestead Accounts

As part of the New Homestead Act—Section 104 S. 675—introduced in 2005 by Senators Byron Dorgan (D-ND), Chuck Hagel (R-ND), and others, Individual Homestead Accounts would be available to individuals who locate in high out-migration counties. Specifically, New Homestead Accounts are matching savings accounts to build individual and family assets. Individuals who are bona fide residents of a qualifying county are allowed to create Individual Homestead Accounts. Individual Homestead Accounts are generally identical to Individual Development Accounts (IDA) legislation and programs in use in communities across the nation.

[27] Sustainable Agriculture Coalition 2007 Farm Bill Platform, http://www.sustainableagriculturecoalition.org/farmbill/PolicyBackgnd-NewMarkets.pdf, accessed June 15, 2007.
[28] USDA's 2007 Farm Bill proposals, *Fact Sheet: A Commitment to Rural America.* http://www.usda.gov/wps/portal/!ut/p/_s.7_0_A/7_0_1UH?contentidonly=true&contentid=2007/01/0019.xml, accessed June 18, 2007.

Individuals can contribute a maximum of $2,500 per year for up to five years. Government can provide a match of 25 to 100 percent (depending on income). Tax and penalty-free distributions can be made after five years for small business loans, education expenses, first-time home purchases, and unreimbursed medical expenses. Accounts can grow tax-free, and all funds are available for withdrawal upon retirement.

State Initiatives

Mini-Homestead Acts

Community incentives have been established in several states that are designed to attract more residents. Free land on which to build a house is the main incentive.[29] These community-driven incentives vary from town to town and do not generally involve the state legislation. Examples of community initiatives include:

Minneapolis, Kansas offers free lots and a tax rebate program that gives money back to homeowners who improve their property or build or buy new homes (around prior to free lot). Seventy-five percent of all school and city property taxes will be rebated on the improvements to the lot for up to five years (approximately $700 to $800 on a home valued at $125,000 to $150,000).[30]

Marquette, Kansas provides contacts for jobs, financing, and school district information. All utilities are available on the properties but new owners are assessed fees ($4,000) to offset the cost of building the infrastructure. The utility hookup and building permit fees are waived.[31]

Ellsworth County, Kansas offers financing assistance and downpayment assistance up to $3,000 dependent on number of children in a family. Each year there is an allotted $15,000 to $17,000 in the program, and it is used up each year. Banks in the area reduce down payment requirements and waive all in-house fees normally charged with construction or buying of a new home.[32]

> The initial results of these programs have been impressive. Not only have they attracted multiple new residents and increased enrollments in local schools, but they have also elevated long-time residents' pride in their community and created a positive synergy. The new residents' migration decisions were influenced by a number of push and pull factors. The free land and other incentives are not enough to trigger migration, but they have effectively changed some migrants' destination choice to a small town in central Kansas. Without free land, most new residents, particularly those from out of state, would not have moved there. Contrary to our expectations, the relative locations of small towns with respect to larger cities do not appear to have affected new residents' destination choice.[33]

Building Entrepreneurial Communities

The Nebraska Unicameral introduced and adopted the Building Entrepreneurial Communities Act in 2006.[34] Offered to economically distressed rural areas in Nebraska, this act offers a competitive grant process for collaborations of local units of government. A program like this could open doors for communities considering new economic development strategies and local/regional collaborations. Monies from the grant could be used for down payment assistance, offset fees for infrastructure, or cover lost property taxes (in cases

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[29] See also, http://www.kansasfreeland.com and http://www.nlc.state.ne.us/bestofweb/freeland.asp.
[30] Lu, M and Paull, D.A. *Assessing the Free Land Programs for Reversing Rural Depopulation*. Center for Great Plains Studies, University of Nebraska Lincoln, p. 77.
[31] Id. p. 78.
[32] Id. p. 79.
[33] Id. p. 73.
[34] The Building Entrepreneurial Communities Act was originally introduced as LB 273 in 2006.

of property tax credits). This act has other grant opportunities that can be used to invigorate small business development, community-wide leadership growth, and retain wealth in the community and region.

Priority is given to projects that best alleviate chronic economic distress. At least one of the partners must show chronic economic distress as indicated by:

- An unemployment rate which exceeds the statewide average unemployment rate OR
- A per capita income below the statewide average per capita income OR
- Population loss over a 20-year period

The program is funded at $500,000 per fiscal year and, grants cannot exceed $75,000 per project. The recipients have two years to expend the grant funds. Each grant requires that the recipients provide a 50 percent cash match for grant funds; recipients in limited resource communities provide a 25 percent cash match. Limited resource areas means areas that meet at least one of the following:

- A per capita income below the statewide average per capita income by at least 20 percent OR
- A population loss in the previous 20 years of at least 20 percent.

Grants shall be awarded directly to one of the partners representing the collaborative project.

This act will terminate on January 1, 2011.

State and Local Food Policy Councils[35]

Food Policy Councils convene citizens and government officials for the purpose of providing a comprehensive examination of a state or local food system. This unique, non-partisan form of civic engagement brings together a diverse array of food system stakeholders to develop food and agriculture policy recommendations. Councils are typically sanctioned through government action such as an Executive Order, Public Act, or Joint Resolution. However, some Councils have formed through grassroots effort and operate without an official convening document.

There are many reasons why state or local governments may want to create a council. The most significant may be to broaden the discussion of issues beyond agricultural production by creating a public/private forum to conduct a comprehensive examination of a food system. Councils can be an effective and efficient process to provide education and share information where people involved in all different parts of the food system and government can meet to learn more about what each does and consider how their actions impact other parts of the food system.

Food Policy Councils can address a variety of issues not normally examined or implemented from within government. Food Policy Councils convene individuals and government agencies which do not typically work directly with each other. Food Policy Councils can enter into a more comprehensive approach to analyzing food system issues, recognizing the inner workings of different parts of the food system and the need for coordination and integration of actions if policy goals are to be achieved.

[35] State & Local Food Policy Councils. http://www.statefoodpolicy.org/ accessed September 12, 2007.

Small and Moderate-sized Farm and Ranch Processing, Marketing, and Cooperatives

Though declining in numbers, mid-size farms and ranches nationally continue to make up the largest share of working farms and continue to play a crucial role in many rural communities. They comprise the largest use of agricultural land, and the number of people in moderate-size farm and ranch families remains significant. The prosperity of moderate-size farms and ranches and how public policy influences their prosperity continues to be a critical variable to rural community success. (Public policy that encourages producers through commitment of resources for programs providing capital and technical assistance is needed.)

Value-Added Producer Grant Programs

Created by Congress in 2000 and included in the 2002 Farm Bill, the Value-Added Producer Grant Program is a competitive grants program administered by the Rural Business Cooperative Service of United States Department of Agriculture. This version of the Value-Added Producer Grant Program expanded the definition of "value-added" to include how agricultural products are grown or raised, e.g., organic, grass-fed, as well as processing. Funding for the VAPG program expanded from $10 million annually to the Farm Bill authorized and current level of $40 million annually.[36] Individual producers, alliances, networks and cooperatives of producers, and agricultural trade groups are eligible applicants for up to $150,000 in working capital or up to $100,000 in planning grants to enter into a new or emerging market.

The program has been enormously popular and successful for producers who seek to add value to their products and enter into new niche and specialty markets. The relatively strong performance of the Value-Added Producer Grant program in funding initiatives to benefit small- and medium-sized and beginning farmers and ranchers bolsters the need for effective implementation by United States Department of Agriculture of current statutory language and Congressional intent. This program should always reward projects that help increase self-employment and entrepreneurial opportunities in farming and ranching and that enhance the profitability and viability of small- and medium-sized farms and ranches.[37]

In order to ensure benefits to rural communities, the program's objectives should be strengthened and include: supporting a broad diversity of projects that increase the producer's share of the profit and create self-employment opportunities in local communities; prioritize projects that strengthen the profitability and viability of small- and medium-sized farms and ranches; support projects that contribute to conservation of land, water, and other natural resources; and include a category for value-based food supply chain projects.

State Value-Added Programs

Montana The Growth Through Agriculture program and the Montana Agriculture Development Council were established by the Montana Legislature to strengthen and diversify Montana's agricultural industry through private-public partnerships that assist in the development of new agricultural products and processes.

Nebraska Agricultural Opportunities and Value-Added Agriculture Partnership Act is a competitive grant process to provide grants to eligible entities that support collaborative development of farming and ranching;

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[36] Despite this authorized level, actual appropriations have been less in recent years.

[37] Leval, Kim, and J. Bailey, et al. *The Impact and Benefits of USDA Research and Grant Programs to Enhance Mid-Size Farm Profitability and Rural Community Success*. Center for Rural Affairs, August 2006.

the start-up and growth of value-added agricultural enterprises; and growth of rural communities and regions.

Missouri Value-Added Grant Program provides grants for projects that add value to Missouri agricultural products and aid the economy of a rural community. Grant applications will be considered for value-added agricultural business concepts that lead to and result in development, processing, and marketing of new or expanded uses or technologies for agricultural products and foster agricultural economic development in Missouri's rural communities.

Minnesota Department of Agriculture provides up to $25,000 to individuals or groups on a competitive basis for sustainable agriculture research or demonstration projects in Minnesota. These projects are highlighted in the annual *Green Book*, published by the Department.

Colorado Agricultural Value-Added Development program provides grants to promote agricultural energy-related projects that benefit or are tied to agricultural production or the utilization of agricultural land or water. Grants are offered in three categories: feasibility studies, project participation, and research.

North Dakota's Agricultural Products Utilization Commission accepts a maximum of 15 qualifying applications for funding in the following categories on a quarterly basis: basic and applied research grants, marketing and utilization grants, farm diversification grants, and an agricultural prototype development grant program.

Healthy Food Enterprise Loan Guarantee Program

A proposed new provision under the existing Business and Industry Guaranteed Loan Program, the Healthy Food Enterprise Loan Guarantee Program[38], would provide guaranteed loans for infrastructure projects to support the aggregating, processing, or marketing of locally or regionally produced agricultural products. The Business and Industry program, administered by USDA's Rural Business Cooperative Service, guarantees up to 80 percent of loans made to cooperatives, partnerships, nonprofit organizations, and individuals.

A version of this program was promoted by Rep. Kristen Gillibrand (D-NY) and incorporated into the rural development title of the House Farm Bill (H.R. 2419).

Healthy Food Urban Enterprise Development Program

Healthy Food Urban Enterprise Development Program[39] was incorporated into H.R. 2419. It would provide grants for feasibility studies for the establishment of processing and distribution facilities. The program would give priority to projects that support socially disadvantaged farmers and ranchers, increase employment in underserved communities, advance small- and medium-sized farm and ranch viability, and maintain sound environmental and labor standards. Under the program, small- and medium-sized processors and distributors, nonprofits, producer-owned cooperatives, universities, and community development organizations would be eligible for planning grants of up to $250,000.

[38] Sustainable Agriculture Coalition, 2007.
[39] Id.

Interstate Meat Shipment[40]

H.R. 2419 contains a provision allowing for interstate shipment of state-inspected meat through a process of federal oversight. This raises concern for its impact on small-scale processors as the proposal abandons the current requirement that state inspection program standards be "at least equal to" federal inspection requirements. The new legislation would require state inspection programs to adopt the exact standards for inspection, re-inspection, and sanitation currently found in federal law. There is no explicit preemption of state authority to enact more stringent state inspection law, but the term "identical" leaves open the issue of preemption. Also, with the omission of any special attention to small-scale processors, the measure could result in the imposition of techniques and practices beyond what is needed and feasible for small-scale processors to ensure the safety of their products.

Local Initiatives

Local governments can provide the infrastructure needed for small and medium scale producers to develop their markets. This can be done by streamlining permit processes for such facilities, providing minigrants towards their creation, donating county resources and helping farmers establish partnerships with community stakeholders who can offer these services. Infrastructure can mean land for growing purposes, suppliers for seeds, and facilities to process, store, or distribute products.

Woodbury County, Iowa

In 2005, Woodbury County became the first county in the nation to make tax rebates available to farmers who convert to organic agriculture. The County Board passed the Local Food Purchase Policy, which required the County Food Service Contractor to purchase locally grown food, with a preference for organics. The county and local stakeholders began collaborating to build infrastructure to support local and organic farmers. These efforts included the opening of a store in Sioux City, the major hub of the area, that sells locally grown and organic produce. Other projects include renovating a commercial-grade kitchen and working with a local cold storage facility to make it available to organic producers.[41]

State governments and land-grant institutions (through their agricultural programs and Extension Education programs) are in unique positions to design programs that provide resources, education, and assistance to agricultural entrepreneurs. Federal programs such as the Value-Added Producer Grant Program and the Sustainable Agriculture Research and Education (SARE) Program need increased resources to allow benefits to flow to more agricultural entrepreneurs and their enterprises. Rather than continue large resources to programs that result in fewer farmers and ranchers on the land, public policy can make a real contribution to rural development and revitalization by committing to programs that benefit agricultural entrepreneurship.

Farmer's Market Promotion Program

The Farmer's Market Promotion Program provides small, competitive grants to develop direct farmer-to-consumer marketing ventures, including but not limited to farmers markets, community-supported agriculture networks, and internet marketing initiatives. First introduced in the 2002 Farm Bill, the program has funded initiatives such as sustaining a farmers market on the Hopi Reservation in Arizona to providing for training and technical assistance to farmers who may need assistance in transitioning from selling to wholesale buyers

[40] Sustainable Agriculture Coalition, 2007.
[41] Dillon, C. and Harris, M. *Counties and Local Food Systems: Ensuring Healthy Foods, Nurturing Healthy Children*. National Association of Counties Center for Sustainable Communities. July 2007.

to supplying household consumers to increasing consumer awareness of locally grown farm products.[42]

The maximum grant size is $75,000, and recipients are prohibited from using assistance received under the program for the purchase, construction, or rehabilitation of a building or structure. Funding for this program, is however, discretionary. In Fiscal Year 2006, Congress, for the first time, appropriated $1 million to fund the program. USDA's Agricultural Marketing Service, which administers the program, received 367 applications requesting more than $19 million. This program has demonstrated a significant interest and need for funding.

Value Chain Development Grants

"Value chain" is a term often used to describe supply networks for value-added products. A values-based value chain or food supply chain is a term that embraces both the characteristics of the business relationships within a food supply network and product differentiation. They depart from traditional food supply chains with their emphasis on interdependence and inter-organizational trust, their treatment of farmers as "strategic partners" with rights and responsibilities, a commitment to the welfare of all partners, and the ability to effectively coordinate on local, regional, national, and international levels. Transparency—of business relationships and marketing and production methods—is the hallmark of a values-based food supply chain. Commitments are made to the welfare of all strategic partners in a value chain, including fair profit margins and fair wages.

This grant program should be included as a sub-grant program to the Value-Added Producer Grant Program. Grants should be awarded to projects that are specifically targeted to mid-sized farms and ranches, have substantial farmer and rancher participation, include cooperative partnerships that involve businesses, non-profits, agencies, and education institutions, and that articulate clear and transparent social, environmental, fair labor and fair trade standards.

[42] Examples of funded projects during the 2006 cycle, the first funds awarded.