



FACT SHEET

AGRICULTURAL

ECONOMIC

DEVELOPMENT



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DESCRIPTION

Farmers often say that the best way to protect farmland is to ensure that farming is profitable. Many farmland protection programs are designed to prevent development of productive land. Protecting the land base is an investment in the infrastructure of agriculture. Building and maintaining a strong agricultural economy is just as important to the viability of farms and ranches. An increasing number of states, communities, organizations and producers are promoting investment in agriculture through loan and grant programs, the development of high-value agricultural products and services, direct marketing of farm products and diversification.

HISTORY

For most of U.S. history, agriculture was the foundation of local economies. Food was produced, marketed and sold close to home. Farmers and ranchers reaped most of the profits from the sale of food and fiber products. With the emergence of national and global markets, supermarkets and changes in the structure of agriculture, the producers' share of food and fiber profits decreased substantially. Since the 1970s, state and local governments and nonprofit organizations have been helping farmers and ranchers develop new products, processing facilities, services and marketing strategies to increase farm profits.

FUNCTIONS & PURPOSES

State and local agricultural economic development programs provide technical assistance to farmers, ranchers and agricultural communities and facilitate access to capital for agricultural business development and expansion. They are designed to build and support local agricultural economies and to improve the economic health of individual farms and ranches. Some jurisdictions also use agriculture as a foundation to develop other industries, such as food processing and tourism. Programs use different strategies to achieve different objectives.

STRATEGIES

Planning for agricultural viability

Some local governments are incorporating agricultural business strategies into their traditional economic development plans. Four local governments in Maryland employ economic development specialists who advise farmers on new products, services, marketing strategies and management techniques to increase profitability. New York's county Agricultural and Farmland Protection Boards have the authority to receive state matching funds to develop and implement county agricultural and farmland protection plans. Many of these plans include the promotion of economic development initiatives for agriculture.

Business planning and capital investment

Preparing a business plan can allow farmers and ranchers to examine a range of strategies to increase profits. A new Massachusetts program gives farmers access to a team of agricultural, economic and environmental consultants. Team members assess farm operations and make recommendations to improve performance. Farmers may receive state grants for capital improvements based on their business plans. In return, the farmers agree to sign five- or ten-year covenants restricting development of their land. The plans and grants are designed to make farms more profitable; the covenants give the strategies time to work. Canada has a national program that provides incentives for farmers to develop business plans through cost-sharing and grants.

Purchase of agricultural conservation easement programs

Purchase of agricultural conservation easement programs compensate property owners for restricting the future use of their land. Selling an easement allows farmers and ranchers to cash in a percentage of the equity in their land, thus creating a financially competitive alternative to development. Producers often use PACE program

funds to buy and improve land, buildings and equipment, to retire debt and to increase the viability of their operations.

Loan programs and economic development incentives

Farmers need access to capital to purchase land and equipment and to invest in the development of new products, services, production technologies and marketing strategies. Yet commercial banks often are reluctant to lend money to farmers for agricultural enterprises. Public economic development programs are generally targeted to the industrial and service sectors and do not consider loans to agricultural businesses. State and local governments can facilitate agricultural economic development by treating farms as other businesses, making loan funds, tax incentives and technical assistance available to producers.

Twenty-four states offer public agricultural financing programs. Many of these programs are targeted to beginning farmers. Few, if any, have the capital to meet the demand for credit among farmers. One promising approach is a private initiative in Maryland that is experimenting with getting commercial banks to participate in an agricultural loan program through the commitment of Community Reinvestment Act funds.

Direct Marketing

Growers who market agricultural products directly to customers usually receive higher prices than farmers and ranchers who sell wholesale. Counties and towns can encourage the development of agricultural retail businesses by specifically permitting roadside stands, pick-your-own operations, nurseries and other agricultural uses in their zoning by-laws. Many communities also have developed and distributed maps showing the location of farmstands, pick-your-own operations and farmers' markets, and some have posted signs directing drivers to farm businesses.

Farmers' markets

Farmers' markets give growers access to a large base of customers. Most markets are open-air public spaces where farmers gather to sell home-grown products. Farmers may travel hundreds of miles to downtown markets in big cities. The markets are good for the city as well as the farmers, as they attract customers who patronize other downtown businesses.

Marketing to restaurants and food retailers

Much of the retail price of food pays for marketing and distribution. By selling directly to food retailers, farmers and ranchers can capture more profit. A growing number of natural and specialty food stores are expressing interest in selling local farm products. Several nonprofit organizations are working to establish links between growers and chefs. Encouraging restaurants to use local produce and meats and promote them on their menus may help build a retail customer base for both local farms and dining establishments. Contact with restaurants and food retailers also helps keep farmers informed about trends in the food industry.

Community supported agriculture

Community supported agriculture is a relatively new form of direct marketing. CSA farm customers pay for a share of the harvest at the beginning of the year and receive a weekly bundle of vegetables and fruits throughout the growing season. This system takes some of the risk out of farming and shifts the time that growers must spend on marketing to the beginning of the year. Some organizations are working to build CSA networks that would allow individual growers to offer a larger selection of farm products to their customers.

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For additional information on farmland protection, the Farmland Information Center offers publications, an on-line library and technical assistance. To order AFT publications, call (800) 370-4879. The farmland information library is a searchable database of literature, abstracts, statutes, maps, legislative updates and other useful resources. It can be reached at <http://www.farmlandinfo.org>. For additional assistance on specific topics, call the technical assistance service at (413) 586-4593.

Diversification

Agricultural operations that specialize in commodities such as corn or milk are vulnerable to economic shocks caused by low prices or bad weather. State departments of agriculture, Extension agents and economic development agencies promote diversification to reduce risk and increase profits. Diversification can mean planting new crops or shifting to a different mix of crops and livestock, developing new products or services or targeting new markets.

New products and marketing strategies

State and local governments and agricultural organizations are helping growers create and market specialty products such as cheese, wine, preserves and sauces, potato chips and cereals. These products can be sold year-round - a big advantage in cold climates - and some can be marketed through the mail. Several states are investigating the feasibility of public commercial kitchens that could serve as incubators for farm-based food businesses. An organization in Virginia is developing a brand of local farm and seafood products, and an organization in Maine is experimenting with selling farm products on the internet.

Agritourism

Several state and local governments offer workshops for farmers who are interested in developing recreational businesses. Agricultural tourism is increasingly popular in farming communities near urban areas. Entrepreneurial growers are offering educational and recreational services such as school tours, hay and sleigh rides, crop mazes, petting zoos, restaurants, ranch vacations and bed-and-breakfast facilities. These services bring in new customers and promote farm products.

Grower Cooperatives

Growers who sell wholesale can increase their access to lucrative markets by forming cooperatives. High-volume retailers such as supermarkets that find it too difficult to buy from individual producers may welcome the opportunity to purchase locally-grown food from a well-organized cooperative. Cooperatives can also offer a diverse selection of products to retailers at a competitive price.

Reducing the costs of production

Most agricultural economic development strategies are designed to help producers increase revenues, but a few help them cut costs. A project in Vermont is training dairy farmers to implement pasture-based management. By switching from growing and storing feed crops to grazing, dairy farmers can cut costs and improve their quality of life. Other organizations promote the use of integrated pest management and organic farming, which reduce the cost of inputs and may increase the prices that growers can demand for their products. Purchasing cooperatives for seeds and other agricultural supplies also can reduce production costs.