



## League of Women Voters of Minnesota Records

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Our perspective

## Grain giant

*Cargill merger poses small threat*

Last fall Cargill Inc. announced plans to buy the grain unit of its big rival, Continental Grain Co. of New York, in one of the biggest acquisitions in the history of the U.S. grain trade. Its timing couldn't have been worse. Commodity prices are sagging, farmers are struggling and critics say that

The question is whether Cargill would become *too* efficient and gain a chokehold on some segment of the grain pipeline. On the evidence available so far, the answer is no. Cargill would have by far the biggest network of country elevators and grain terminals, but economist Stan Stevens at

Star Tribune

oplin



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To: Members of the Agriculture Study Committee  
From: Gertrude Ulrich, Chair  
Re: Meeting Notice & Agenda  
Date: June 23, 1999

**Agriculture Study Committee Meeting Notice**  
**Thursday, July 1, 1999**  
**1:00 –3:00 p.m.**

**Agenda**

1. 5 mins      Introductions/Ulrich
2. 30            Speaker, Brad Biers, Staff for House Agriculture Policy Committee
3. 30            Questions from committee
4. 5             Review Committee list/make corrections, additions(enclosed)
5. 15            Timeline(enclosed)
6. 10            Wording of scope statement(enclosed)
7. 20            Workplan: bring your suggestions
8. 5             August 4th Agenda: Planning for October Regional Meetings/Workshops  
                         10/6, 10/13, 10/20, 10/27



## LWVMN Study of Agricultural Policies and their Impact on Sustainability

(adopted by the LWVMN Convention, April 17, 1999)

### Wording

Study of the impact of agricultural policies, regulations and practices on the sustainability of agriculture.

Scope: The study will examine:

state government policies, including but not limited to, tax and land ownership policies, practices, regulations, subsidies and research dollars involving agriculture. The study will focus on the social and economic impacts of the above.

**Working definition of sustainability:** Development that maintains or enhances economic opportunity and community wellbeing while protecting and restoring the natural environment upon which people and economies depend. Sustainable development meets the needs of the present without compromising the ability of future generations to meet their own needs.  
(From Draft Scoping Document.)

## **Timeline for Agriculture and Sustainability Study**

### **Two year study: consensus in March, 2001**

\*Summer, 1999: set committee meeting schedule; define scope; decide on products; define research tasks and set interview schedule; plan fall regional workshops for local Leagues; assignments re research, writing, public meeting, discussion/consensus guide, etc.

\*Fall, 1999: regional meetings

\*November, December, January, February, 1999/2000: interviews, research completed; writing/editing to begin; planning for spring Focus meeting—maybe at U?

\*Spring, 2000: Focus meeting—if you choose to do this and we get funding for it --a good way to inform the natural audiences for this topic that we're doing this study; form a group of co-sponsoring organizations?

\*May, June, July, 2000-: drafts due; final edit

\*August, 2000: publication printed; other materials—discussion guide, consensus questions approved by LWVMN Board and mailed to local Leagues

\*Local Leagues schedule meetings in October/November, 2000 or January, 2001

\*Consensus reports returned to LWVMN by Feb, 2001

\*Position approved by LWVMN Board, March, 2001 and released to the public

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# Pigs, Profits, and Rural Communities

Kendall M. Thu and E. Paul Durrenberger, editors

This book illuminates the processes and consequences of agricultural industrialization, particularly within the swine production industry, for the social, economic, human, environmental, and political health of the rural United States. Contributors come from widely divergent backgrounds including a former U.S. senator, farmers, a veterinarian, a medical psychologist, an agricultural economist, a biological ecologist, a farm organization president, and anthropologists. Set within the theoretical framework of Walter Goldschmidt's research on the community consequences of industrialized food production, these contributions show that the increasing divergence of ownership has real human costs that continue to be ignored by economic developers and policymakers.

*"Pigs, Profits, and Rural Communities addresses social impacts accompanying the transition from 'family' farm operated pork production systems to a more vertically integrated industrial model. Current economic and agriculture production literature often focus on the 'efficiencies' of the industrial model and give less attention to the consequences of this change for people, surrounding neighborhoods, and local communities. Pigs, Profits, and Rural Communities gives the reader a view from an alternative perspective."*—Steve Padgitt, Iowa State University

*"This book challenges common assumptions of agricultural economics about efficiency and the pursuit of corporate profits, weaving together scholarly discussion, scientific data, and personal accounts of community problems associated with hog farming. The process of rural industrialization is occurring at a pace which is alarming, yet which has received little criticism from state legislators or others who might effectively prevent many of its costs to rural quality of life. It needs the kind of attention we find in this book."*—David Griffith, East Carolina University

Kendall M. Thu is Adjunct Assistant Professor of Anthropology, University of Iowa. E. Paul Durrenberger is Professor of Anthropology, Pennsylvania State University.

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8/24

INTERESTED IN  
BEING ON AG.  
COMMITTEE.

## LWVMN Agriculture Study Committee Minutes

### January 6, 2000

Submitted by Anne Borgen, who will gratefully receive additions and corrections.

PRESENT: Gertrude Ulrich, Chair, Anne Borgen, Judy Duffy, Nancy Gundersen, Stephanie Hendriksen, Brian Karlsson-Barnes, Carol McCarter, Beverly Montgomery, Helen Palmer, Linda Peck, Eldrid Phillips, Mary Phillips, JoAnne Rohricht, and Barbara Valle. Guest: Dave Serfling

1. Minutes of the December 2, 1999 were approved with the following corrections and additions:
  5. C. should add the word questions to read that "*the local consensus questions must be done by August, 2000.*"
  5. D.1. should read "*Dean Hamer (Pence Institute)*" not the University of Minnesota
  5. D. should include a number 4. stating that "*Barbara Valle attended a course, Global Power-Local Promise, at Schumacher College. The teachers were Vandana Shiva, Mathis Wackernagel, and Wolfgang Sachs.*"The last sentence in paragraph three of the notes on Dr. Runge's speech should be corrected to read that "*the Act does introduce flexibility and severs the connection between subsidies and current farm prices.*"
2. **Dave Serfling** opened the meeting by talking to the committee about his Preston, Minnesota farming operation. Dave is a 1981 graduate of Iowa State University. He grew up on his 350 acre farm which was started by his father. He and his wife have two young children and she is employed off the farm as well. The discovery that their well water tested unfit for their baby daughter because of its high nitrate content led them to a search for alternatives in agriculture. He became interested in conserving and improving the soil and water and in raising animals without confinement. He is a member of the Land Stewardship Project.

The farm is a diversified operation with 80 beef cattle, 50 sows, and some sheep and chickens. He raises corn, oats and hay that along with the pastures are used to feed the livestock. He raises three litters of hogs a year without using total confinement sheds. He uses no antibiotics but finds that healthy animals are very rarely ill in the open environment and fresh air. His death loss is less than 1% from birth to market - about 6 months. He uses deep straw for bedding in the winter and rotates his sheep through the paddocks in the summer to keep the length of grass down during summer litters.

He sells most of his hogs to Niman Ranch of California. The decisions about what to breed and grow and risk of selling to one buyer are his alone. Niman buys only animals that have been raised without antibiotics in humane, non-confinement operations run by family farmers--that means the majority of the work of the operation must be done by the farmer or his family and the farmer must have daily contact with the animals. 850 hogs a week are now being shipped from this area to an Iowa packer for slaughter and distribution. There is a premium for the loins. How much consumers will be willing to pay for choice in their food supply is still an open question. Two food market chains that will buy these products are Fresh Fields and Wild Oats. In Denmark some food has a bar code that identifies the farm where the product originated.



Dave seemed willing to make a trade off in income for being able to participate in this kind of sustainable farming. His gross income is about \$150,000/year with a net of \$25,000 to \$30,000. His returns are lower than those of larger neighbors, but his risks and costs are also lower. He said that he can make money when prices are not as high and that he is able to weather a bad year or two with less hardship.

More comments:

- High cost of starting up is an obstacle to young farmers who need land, equipment and livestock all at once. Intensive grazing is a less expensive way to begin dairy farming.
- One needs to have enough land and animals to gross at least \$150,000 in order to operate a farm and survive in today's economy.
- Government programs should have an upper limit on emergency or other payments to one farm owner. Payments have been tied to past production base so the largest farms and owners get the most money. This policy favors large agribusiness firms, not family farms. He supports a free market system, but he thinks that if the government must assist farmers from time to time it should target smaller operations. This year, for example, his neighbor got \$400,000 in emergency payments and he got \$30,000.
- We should let the price of land drop to a lower level. We don't need all the land that is currently in production to grow the food that is needed.
- If we do nothing to change the trend, in twenty years we will have huge farms and some small part time farmers. Full time family farms will be a thing of the past.

3. Committee Reports - none

4. Timeline Discussion: President Duffy reminded the committee that the state office will be very busy next fall with voter service activities. If and when we do a publication, we must have our material pulled together in excellent shape because there is neither time nor money in the office to do that for us. We have \$1350, which is not enough money to pay for much assistance and must cover office costs as well. The development staff is still pursuing grants and hopes that MSI Insurance will consider a \$10,000 request this summer.

We discussed the possibility of providing a public forum instead of a publication, because it is less costly and still useful to our members and the public. The general consensus, however, seemed to be that we do need a publication because our members have a lot to learn about this topic.

Gertrude Ulrich, chair, then asked that we come to the February meeting with written motions. If we propose a publication what should it include? If we propose a public forum when and where should it be held, with whom might we partner, and what topics should be covered?

Each subcommittee should begin writing with rough drafts due by May.

5. We discussed who to invite to speak at our next meeting. Suggestions included Gene Hugeson from the Minnesota Department of Agriculture? Others?

**The next meeting was set for Thursday, February 3<sup>rd</sup>, 1:00 to 3:00 p.m.**

Hi Anne,

Here are the answers to your questions. I'm sorry it took me awhile. I've been out of the office quite a bit. Call me if you have any questions. My phone # is 742-5831. How was the week with the boys? I'm sure that they loved being with their grandparents.

Barb Kuntz

-----Original Message-----

From: Johnson, Lori /hdqt  
Sent: Thursday, February 17, 2000 11:10 AM  
To: Kuntz, Barb /mtka  
Subject: RE: LWVMN Agriculture Study

One of my colleagues was just in the process of updating the info on Cargill and Minnesota, and just finished it. Hope this helps. Let me know if you have questions.

-----Original Message-----

From: [mailto:WOODHILL60@aol.com]  
Sent: Monday, January 31, 2000 2:26 PM  
To: kuntz, barb /mtka  
Subject: LWVMN Agriculture Study

Hi Barb,

This is Anne Borgen. Thank you for agreeing to look at these questions and pass them along. As you know there is plenty of controversy in agriculture these days. Let me know if these don't make sense to you or if you think they are not possible to answer. Send as much or as little of this note along as you like.

The League of Women Voters of Minnesota selects a study every two years-the last one was on how we select judges, the one before that was in two parts -- how the state of Minnesota raises money and how it sets priorities for spending.

This study rose out of concern for how agricultural policy affects farmers and rural Minnesota. Our studies traditionally try to look at issues from many perspectives and in the public interest. I am concerned that we look fairly at all segments of agriculture including large corporations like Cargill who are so powerful in that world.

**Some questions that I would like to know the answer to are:**

1. Approximately how many jobs does Cargill together with its subsidiaries provide in Minnesota? Where are most of those jobs in the state?

Cargill employs more than 5,100 Minnesotans. As you would expect, most work in our various Twin Cities headquarters. Roughly 1,000 people work in outstate Minnesota, and another 500 work at North Star Steel, our St. Paul steel mill. Outside of the Twin Cities, we have animal feed mills in Big Lake and New Richland; flour mills in Lake City and Mankato; Cargill AgHorizons Service Centers (grain-handling and agronomic services) in Alberta, Alpha, Big Bend, Bingham Lake, Blue Earth, Duluth, Frost, Gluek, Hills, Litchfield, Maynard, Pipestone, Red Wing and Savage; seed in St. Peter; North Star Steel in Duluth; and Rogers Terminal & Shipping (stevedoring services) in Duluth.

2. How does Cargill purchase grain from farmers? By contract? From elevators, not individual farms? Is there a profile of its typical supplier?

There isn't a typical profile, we buy grain from a wide range of sellers. In some parts of the country, especially around metropolitan areas we buy grain from very small (20-100 acres) hobby farms. In the midwest much of the grain is bought from family farming operations that range from 500-2000 acres. Some areas such as Washington state have farms that may be as large as 100,000 acres. There are available demographic profiles of farmers although the wide range of size, age and expertise makes the information difficult to use. Our objective at Cargill is to offer a wide range of choice in programs to meet the needs of a wide range of producers. While we do create programs specific to certain segments the application of our products and services can fit many needs.

3. Since the agriculture sector is in trouble in many areas, does Cargill have a vision for encouraging the prosperity of producers as well as Cargill stockholders?

As we know from more than a century of experience, the economic health and vitality of our company is tied very closely to the economic health and vitality of U.S. producers. When farmers do well, we do well. The reverse is also true, and the past couple of years have been a difficult time for us financially as well as for our farm customers. The grain market is very much a global market and susceptible to broad macroeconomic factors. If someone set out to design a worst case scenario for U.S. agriculture, it would have to look something like the past couple of years. As recently as 1996, we saw record prices for wheat, soybeans, corn and other crops. The high prices attracted additional acres into production around the world. At the same time, we've seen exceptionally good weather and growing conditions for the past four years in virtually all of the major crop producing regions in the world. The additional acreage and exceptionally good weather have produced four years of exceptional large crops globally. However, just as production was rising, the economic turmoil in Asia knocked the base out of the market. Asia has become an increasingly important market for U.S. agricultural exports -- representing about 40 percent of total exports. As a result of their financial troubles, our biggest customers had less money to spend on food and because of devaluating currencies,

their money purchased even less. The Asian crisis also had a ripple effect on emerging economies in eastern Europe and South America, both of which are important U.S. export markets. As a result, we've seen too much supply chasing too little demand, and crop prices have been hit hard.

Unfortunately, there is no quick fix the kinds of fundamental supply and demand problems we have faced. There are some hopeful signs, however. The economies of many of our key Asian customers are improving -- although slowly. Depressed commodity prices have convinced some of our foreign competitors to take some land out of production. The global supply and demand situation is coming into better balance, and we are no longer building huge surpluses.

Although we, as a company, cannot singlehandedly return Asia to prosperity, we have turned our attention to those things that we can control. For the past several years, we have focused a lot of time, attention and investment on ways to help our farm customers get the most from the market. We believe very strongly that an effective marketing program is the most critical skill need to survive and thrive today and in the future. Risk management (effectively managing price volatility) is one of our company's core strengths. We have taken those same skills and techniques, and tailored them for our farm customers in contracts that are easy to understand and easy to use. We've also developed a number of new programs in which we share the price and even the yield risk with our customers. The response to these programs has been tremendous. (Copies of the announcements are attached.)

We've also focused on programs, such as precision agriculture, designed to help farmers reduce costs and boost productivity. We're currently involved in a joint research and demonstration project with Case IH that focuses on the profitability of various precision agriculture techniques. We want to have a firmer understanding of what techniques provide the greatest payback and why so that we can make sure that the agronomic advice we provide is the best in the world. (Copy of the announcement attached.)

This week, we also announced a new financing program that we believe will provide farmers with more financing options as well as greater convenience. (Copy of the announcement attached.)

We've also been actively involved in the development of specialty grains markets. These value-added crops typically earn producers a premium over similar commodity markets.

Long term, the most important actions that we, as a country, can take are to continue to push for greater access to foreign markets for American agricultural products. Because we are blessed with superb growing regions, superior infrastructure and skilled farmers, the U.S. produces far more than we can consume at home. As a result, exports are absolutely critical to the economic health of our agricultural sector.

Tariffs on trade in agricultural products are roughly 10 times higher on average than for trade in industrial goods. Cargill has been a very strong proponent of increasing trade liberalization.

4. Recently Cargill spoke out to calm fears about potential market trouble with GMOs. Does Cargill think that this is a passing issue? Does the company support continuing research to verify the safety of such products for the environment and consumption? Can Europe's stated fears be addressed?

It's a pretty good sign that the debate has hurtled out of control when even the founder of Greenpeace describes his former organization's stance against agricultural biotechnology as wrong-headed and anti-science. In the last century, the advent of electricity generated the same kind of response.

At the same time, we absolutely agree that there must be a strong regulatory review framework to ensure that crops that are enhanced through modern biotechnology are safe from both a food safety and environmental standpoint. We have a great deal of confidence in the U.S. regulatory system. New products are reviewed by the Food and Drug Administration, the Environmental Protection Agency and the U.S. Department of Agriculture.

FDA Commissioner Dr. Jane E. Henney describes the science of agricultural biotechnology this way:

"When most people talk about bioengineered foods, they are referring to crops produced by utilizing the modern techniques of biotechnology. But really, if you think about it, all crops have been genetically modified through traditional plant breeding for more than a hundred years.

"Since Mendel, plant breeders have modified the genetic material of crops by selecting plants that arise through natural or, sometimes, induced changes. Gardeners and farmers and, at times, industrial plant breeders have crossbred plants with the intention of creating a prettier flower, a hardier or more productive crop. These conventional techniques are often imprecise because they shuffle thousands of genes in the offspring, causing them to have some of the characteristics of each parent plant. Gardeners or breeders then look for the plants with the most desirable new trait.

"With the tools developed from biotechnology, a gene can be inserted into a plant to give it a specific new characteristic instead of mixing all of the genes from two plants and seeing what comes out. Once in the plant, the new gene does what all genes do: It directs the production of a specific protein that makes the plant uniquely different.

"This technology provides much more control over, and precision to,



what characteristic breeders give to a new plant. It also allows the changes to be made much faster than ever before.

"No matter how a new crop is created--using traditional methods or biotechnology tools--breeders are required by our colleagues at the U.S. Department of Agriculture to conduct field testing for several seasons to make sure only desirable changes have been made. They must check to make sure the plant looks right, grows right, and produces food that tastes right. They also must perform analytical tests to see whether the levels of nutrients have changed and whether the food is still safe to eat.

"As we have evaluated the results of the seeds or crops created using biotechnology techniques, we have seen no evidence that the bioengineered foods now on the market pose any human health concerns or that they are in any way less safe than crops produced through traditional breeding."

Most scientists agree with Dr. Henney that one of the advantages of modern biotechnology is that it allows for more control and precision in the breeding process.

This, however, is one of the many instances in which science may have outpaced public acceptance and understanding, and there is a pressing need for an effective consumer education program.

The situation in Europe is somewhat unique, and there are a number of cultural and regionally specific issues that have colored the biotech debate. The European Union has not had a strong, centralized regulatory body like we do in the United States. The experience with "mad cow disease" and a host of other, high-profile food safety scares in the past year or two have served to further undermine public confidence in European regulators.

There are other factors that come into play as well. Europe has a long history of using somewhat scientifically dubious food safety "concerns" as a trade barrier to support its highly subsidized and protected domestic agricultural system. There is also, we believe, a certain amount of anti-American sentiment behind the biotechnology debate in Europe.

There also are cultural differences. Although this is a generalization, Europeans tend to be more skeptical about new technology than Americans. We still tend to see technological advancement as progress.

Concerns about this technology also have been fanned by what most people, even many Europeans, see as irresponsible fear-mongering in the press.

This does not mean that we, in any way, discount the level of public concern about biotechnology in Europe. For some people, it also is a

"values" issue. They have very little understanding of agricultural production and believe that biotechnology is somehow "unnatural."

In retrospect, the biotechnology industry may have gone about introducing this new technology backwards. The first generation of genetically enhanced crops were designed to benefit farmers by reducing the level of agricultural chemicals needed. While a lot of American consumers see that as a benefit, it's a pretty fuzzy benefit in the minds of a lot of consumers. The next generation of biotechnology developments will focus the benefits on consumers -- healthier vegetable oils, better nutrition in feedgrains for animal production, and products like the "golden rice" that is now being developed. Golden rice has been enriched with Vitamin A for those regions of the world where rice is a staple and Vitamin A deficiency is a major health problem and a major cause of blindness in children.

We believe we will see greater acceptance of agricultural biotechnology as consumers become better educated about the science and the level of regulatory scrutiny involved before these new products become commercialized. We also believe that we have just begun to tap the potential benefits of this new tool -- a technology that will help us provide abundant, nutritious food for a growing population without having to plow up the planet's most fragile landscapes.

In the meantime, we are actively participating in markets for genetically enhanced grains, conventional grains and specialty grains.



# News from CARGILL



**JOHN DEERE  
CREDIT**

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## **For Immediate Release**

[www.cargill.com/today/press.htm](http://www.cargill.com/today/press.htm)

**Date:** Feb. 11, 2000

**Contact:** John Pocock, Cargill, 612-742-2241

Gordon Tjelmeland, John Deere Credit, 515-267-4345

## **Cargill, John Deere Credit offer farmers new financing alternatives**

**MINNEAPOLIS** – John Deere Credit and Cargill AgHorizons launched a new program today to help farmers finance their input purchases and farm-operating expenses prior to next year's harvest. Called Performance Finance, the program offers four financing alternatives designed to meet individual farm business needs.

"Performance Finance combines Cargill's strengths in risk management and grain marketing with John Deere Credit's expertise in cash-flow management," said Rick McLellan, Cargill AgHorizons retail crop inputs manager. "Today's farmers have many alternatives for financing -- this program adds choice, combined with ease."

Jerry Sullivan, John Deere Credit division manager, said, "Performance Finance offers new ways to finance the farmer's everyday purchases. It is basically a one-stop process that will help farmers manage time as well as cash flow."

The four current Performance Finance alternatives are:

- **FasTrak**, which is designed for quick access to financing. This alternative offers farmers crop input financing, at competitive interest rates, up to \$150,000. With a newly-designed application process and quick turn-around, FasTrak helps farmers acquire the funds needed to take advantage of early-pay discounts on inputs such as seed, fertilizer or crop protection products.
- **Expanded** -- an alternative that gives farmers the opportunity to finance a broad range of operating expenses in excess of \$150,000. Expanded offers farmers a way to finance expenses such as labor and cash rent, in addition to funds for farm input purchases.

-more-



**Cargill, John Deere Credit (continued)**

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**February 11, 2000**

- Cash Manager -- a way for farmers to finance almost any working capital expense on the farm. Under this alternative, farmers enter into a grain contract for crops either currently growing or yet to be planted. In return, they receive funds, at a competitive interest rate, for a portion of the contract's future-delivered value. Farmers pay the note upon grain delivery. Cash Manager also offers an extended financing choice, since farmers can wait to pay the note until they deliver grain, which may be a considerable time after harvest.
- Cash Manager In-Bin, the fourth alternative, which allows farmers to receive a loan for the value of any grain they currently possess. This contract gives farmers the flexibility to obtain additional financing for grain already produced and stored. Otherwise, the terms of this contract are nearly identical to the Cash Manager alternative.

"Frequently, cash-flow needs drive the farmer's grain marketing decisions," said Dennis Inman, Cargill AgHorizons grain origination manager. "The Cash Manager and Cash Manager In-Bin programs allow producers to maximize marketing decisions and manage cash flow together. Our goal is simply to provide farmer-customers with more marketing alternatives and greater choice."

According to Inman, Cargill AgHorizons is currently offering 2 percent below-prime interest rates on portions of any Performance-Finance product that go toward purchasing farm inputs through a Cargill AgHorizons provider.

Rob Boysen, John Deere Credit director of market development, said the new program offers farmers expanded opportunities. "Performance Finance offers farmers four innovative ways to meet their financial needs and it brings together two names in agriculture that farmers can trust to meet those needs," he said. "Convenience and choice are the

*-more-*

**Cargill, John Deere Credit (continued)**

**Page 3**

**February 11, 2000**

programs' strengths.”

John Deere Credit is among the top 25 U.S. financial institutions and has more than 500,000 accounts and a managed asset portfolio exceeding \$11 billion. It provides retail, wholesale and lease financing, offering credit financing for agricultural, construction, commercial and consumer equipment – including lawn and grounds care and recreational equipment – and revolving credit for agricultural inputs and services.

Cargill AgHorizons is a collaborative effort by Cargill’s North American grain, fertilizer and seed operations to bring Cargill’s top-quality products, services and global marketing capabilities to the producer’s doorstep.

Farmers interested in learning more about Performance Finance products can contact their local Cargill AgHorizons Farm Service Center or John Deere Credit (1-888-427-8699).

-##-

O/rel:jpfinance



# News from CARGILL

Cargill, Incorporated • P.O. Box 5625 • Minneapolis, MN 55440 • (612) 742-6000 • Fax (612) 742-7393

## **For Immediate Release**

[www.cargill.com/today/press.htm](http://www.cargill.com/today/press.htm)

**Date: Jan. 11, 2000**

**Contact: Lori Johnson, 612-742-6204**

## **Cargill to pilot new revenue grain contract**

**Minneapolis** – Cargill announced today that it will introduce a new grain purchase contract designed to help farmers manage their two most significant risks – a decline in crop yield and a decline in market prices for their crops. The new corn output contract is called Cargill AgHorizons Performance 90.

“Our goal is to develop new products that add real value for our farmer customers. One of the important ways that we can add value is by sharing in the production and pricing risk. Performance 90 is one of several new grain contracts we will be introducing in the next several months that meet this objective,” said Dan Dye, general manager, Cargill U.S. Ag Producer Services.

Performance 90 will provide farmers with a per-bushel price adjustment if a farmer's total revenue per acre falls below a predetermined target amount. The revenue target is determined by multiplying the December 2000 futures price for corn on the day a producer signs up for the program by 90 percent of the producer's historic yield per acre. If a farmer's combined actual yield, multiplied by the average December 2000 futures price during the month of October 2000, falls below the revenue target, Cargill will pay a per-bushel premium for grain delivered to Cargill that will bring the farmer's total revenue up to the target.

“The most important work that we do is to listen to our customers,” explains Dennis Inman, grain origination manager for Cargill Ag Producer Services. “Like all of our new grain marketing alternatives, this is an idea that our customers asked us to explore, and our customers helped us design the final contract.”

"We're serious when we tell people that farmers and the businesses that serve them need to work as partners if we're both going to succeed. Through this contract, we hope to expand that partnership by sharing the production and price risk with our farm customers," said Dean Grossmann, national sales manager for Cargill Hybrid Seeds.

Performance 90 initially will be offered on a pilot basis for corn at 19 locations in Illinois, Indiana, Minnesota and Nebraska. It will be offered through Cargill AgHorizons locations in Kouts, Ind.; Blue Earth, Alberta, Bingham Lake and Maynard, Minn.; Florence, Merdosia, Havana, Beardstown and East St. Louis, Ill.; and Albion and Oxford, Neb. It also will be offered through third-party retailers, including the Legge Elevator in Uniondale, Ind.; Christian County FS in Taylorville, Ill.; Shipman Elevator in Shipman, Ill.; Pike Service Company in Pittsfield, Ill.; Brandts Consolidated in Pleasant Plains, Ill.; and the Shelby Cooperative in Shelby, Neb. Cargill is considering expanding the program to additional locations and states.

Under the Performance 90 contract, farmers must purchase Cargill Hybrid Seed and agree to deliver all the grain produced from the committed acreage to a Cargill facility or other designated facility. Farmers must also agree to work with a participating local ag retailer to develop and implement a sound agronomic program.

Contracts will be written for purchases of grain from a minimum of 200 acres or 50 percent of an individual farmer's corn acreage. A service charge associated with the contract will vary by location but is expected to fall within a range of 15 to 20 cents per bushel on the first 100 bushels per acre delivered to Cargill under the contract.

"We understand that flexibility is important to our customers, and we have tried to make the program as flexible as possible and still be workable," Inman said. "As with any grain contract, delivery of the grain is required. If there is no Cargill facility close by, we will try to work with farmers to find other delivery points that will accept the grain for us."

Performance 90 gives farmers the freedom to price the grain through spot pricing or any of Cargill's many grain marketing alternatives. Farmers also are free to use any brand of crop-protection chemicals and fertilizer they choose.

“Our goal has been to develop a purchase contract that provides farmers flexibility and choice in key decisions. We believe farmers will find that Cargill AgHorizons Performance 90 provides both,” Grossman said.

Further information on Cargill AgHorizons Performance 90, is available at local Cargill AgHorizons Service Centers or any of the participating retailers who are offering this program.

--###--

*Lj revenue contract*

### Calculating the revenue adjustment

#### Target revenue

90% of historic yield	X December 2000 price in Oct '99	= Target revenue/acre	
135 bu/acre	X \$2.40	= \$324	

#### Calculating the revenue adjustment

Actual yield	X Avg. Dec. futures in Oct. 2000	= Benchmark revenue/acre	Adjustment
140 bu/acre	X \$2.35	= \$329	0
110 bu/acre	X \$2.40	= \$264	+ \$60
135 bu/acre	X \$1.90	= \$256.50	+ \$67.50
110 bu/acre	X \$1.90	= \$209	+\$115

**From:** WOODHILL60@aol.com <WOODHILL60@aol.com>  
**To:** lwvmn2@mtn.org <lwvmn2@mtn.org>  
**Date:** Thursday, March 23, 2000 8:47 PM  
**Subject:** 3rd Cargill press release

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Hope these have all come through. Anne

TO: LWVUS  
1730 M. St., NW  
Washington, DC 20036

FROM: LWV of \_\_\_\_\_  
State: \_\_\_\_\_ File #: \_\_\_\_\_

POSTMARK DEADLINE: JUNE 8, 1988

## CONSENSUS ON THE ROLE OF THE FEDERAL GOVERNMENT IN AGRICULTURE

If your League participated in a joint consensus meeting with other Leagues, please fill out a separate form for each League.

How did your board determine member thinking on this consensus report?

- |                         |                             |
|-------------------------|-----------------------------|
| _____ unit meetings     | _____ questionnaire         |
| _____ general meetings  | _____ telephone poll/survey |
| _____ bulletin tear-off | _____ other, please specify |

Number of members participating in this member agreement process: \_\_\_\_\_

This is a report of your League's consensus, not the concerns and opinions of individual members. It is NOT appropriate to ask for or to report numbers or percentages of "votes." "Consensus" means member agreement. "No consensus" means your League could not agree or did not discuss.

Please mail this completed form by the postmark deadline of June 8, 1988 to the above address. Mark envelope "Ag Consensus." The national board is under no obligation to consider replies postmarked after June 8, 1988.

Form completed by: \_\_\_\_\_

Board position: \_\_\_\_\_

- I. A statement commonly used as a preamble to agriculture legislation says:  
"The goals of federal agriculture policy are to ensure adequate supplies of food and fiber at reasonable prices to consumers while allowing farmers a reasonable return on their labor and investment."

Check the response(s) below that reflect the views of your members about these components of federal agriculture goals.

The goals of federal agriculture policy should be:

1. to ensure adequate supplies of food and fiber  
\_\_\_\_\_ agree \_\_\_\_\_ disagree \_\_\_\_\_ no consensus
2. to provide food and fiber at reasonable prices to consumers  
\_\_\_\_\_ agree \_\_\_\_\_ disagree \_\_\_\_\_ no consensus
3. to allow farmers a reasonable return on their investment and labor  
\_\_\_\_\_ agree \_\_\_\_\_ disagree \_\_\_\_\_ no consensus

—over—

**II-A.** Evaluate whether the following selected agricultural policies are appropriate or inappropriate roles for the federal government.

	Appro- priate	Not Appro- priate	No Consensus
1. Developing export markets for agricultural commodities	_____	_____	_____
2. Increasing reliance on the free market to determine prices	_____	_____	_____
3. Encouraging sustainable agriculture	_____	_____	_____
4. Controlling surpluses	_____	_____	_____
5. Improving the viability of mid-sized farms	_____	_____	_____
6. Providing research, information and technical assistance to agricultural producers	_____	_____	_____
7. Ensuring farm credit at reasonable terms and conditions	_____	_____	_____
8. Protecting farm income	_____	_____	_____
9. Stabilizing prices for farm commodities	_____	_____	_____

**II-B.** From the above list, rank order up to three federal policies that your League believes are essential for the future of agriculture (list by number).

First \_\_\_\_\_ Second \_\_\_\_\_ Third \_\_\_\_\_



## LWVUS STATEMENT OF POSITION ON FEDERAL AGRICULTURE POLICY

### Position in Brief:

Promote adequate supplies of food and fiber at reasonable prices, and support economically viable farms, environmentally sound farm practices and increased reliance on the free market.

### Statement of Position on Federal Agriculture Policy as announced by National Board, October 1988:

The LWVUS believes that federal agriculture policies should promote adequate supplies of food and fiber at reasonable prices to consumers, farms that are economically viable, farm practices that are environmentally sound and increased reliance on the free market to determine prices.

**Sustainable Agriculture:** Federal policy should encourage a system of sustainable, regenerative agricultural production that moves toward an environmentally sound agricultural sector. This includes promoting stewardship to preserve and protect the country's human and natural agricultural resources.

**Research and Development:** Agricultural research, development and technical assistance should continue to be a major federal function. Resources should be targeted to developing sustainable agricultural practices and to addressing the needs of mid-size farms.

**Agricultural Prices:** The LWVUS supports an increasing reliance on the free market to determine the price of agricultural commodities and the production decisions of farmers, in preference to traditional price support mechanisms.

**Agriculture and Trade:** U.S. efforts should be directed towards expanding export markets for our agricultural products while minimizing negative effects on developing nations' economies. Consistent with the League's trade position, multilateral trade negotiations should be used to reduce other countries' barriers and/or subsidies protecting their agricultural products.

**Farm Credit:** Farmers should have access to credit with reasonable terms and conditions. Federally provided farm credit is essential to maintaining the viability of farm operations when the private sector is unable or unwilling to provide the credit farmers need.

Of these policies, the League believes the most essential for the future of agriculture are: encouraging sustainable agriculture; providing research, information and technical assistance to agricultural producers; and increasing reliance on the free market to determine prices.

## LWV Ag Study Report for November 18th Meeting

Attending: Stephanie H, Brian KB, Mary & Eldred P, JoAnne R, and Charmaine W.

1. We were still having difficulty with the existing subcommittee format, thus suggest a new format that reorganizes some of the issues (proposed changes & ag economics) as facts, and simplifies the issues into only (3) study teams, each of which has two components. Issues might also communicate better as our *Sustainable Choices for the Future*.

Ag study members could still volunteer for any of the teams, and help with facts, issues, or both, in any of the (3) study areas, or they could simply sort out facts for all teams.

2. We feel the aversion to spiritual issues should be reconsidered. It is not a question of religion, but of reverence for the land and irreverence for the almighty dollar. The spirituality may be responsible for the shallowness of our culture, which is the problem which threatens American agriculture.

### FACTS which inform our

### Sustainable CHOICE

History

Current Events

Proposed Changes

Biotechnology

### 1 Sustainability of

i Our Natural Environment

the interdependent web

ii Food Quality sustains our

History

Current Events

Proposed Changes

Agricultural Economics

Farm Interviews

Alternative Farming Methods

### 2 Future of Family

Statute 500.24) as five

and actively working the

i Ethical/Sociological/Spiritual/Community & Stewardship of the Land; Choices for Rural Communities as a whole, which allow future generations the same opportunities within agriculture and other desired pursuits of happiness;

ii Economic Issues: Contracts, Access to Markets & Viability.

History

Current Events

Proposed Changes

Agricultural Economics

### 3 Agribusiness & Agricorporations

i Agribusinesses are factory (not family) farms with more than five shareholders (or any corporations, ie, NOT natural persons) with a 51% controlling interest in the farm, and with a shorter-term emphasis on profitability.

ii Agricorporations are the large input/output corporations producing equipment, chemical fertilizers, pesticides, seed et al (farm inputs), and buying farmers' crops and animals (outputs) to process for consumer food; with the shortest-term emphasis on profitability.

## Issues 4&5 Subcommittee/South which could become Team 2/South

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- i Our Natural Environment of soil, water & air sustains the interdependent web of life of which we are all a part;
- ii Food Quality sustains our human health and safety.

*and Rural Communities*

History

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Alternative Farming Methods

#### 2 Future of Family Farms defined (per 1997 MN

Statute 500.24) as five or less owner/operators living on and actively working the farm (average of 350 acres?)

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ORGANIC INDEPENDENTS - Organicworks! - James A. Riddle and Joyce E. Ford  
Rt. 3 Box 162-C, Winona, Minnesota, USA, 55987-9514 - Ph/Fax: 507-454-8310  
E-mail: jriddle@luminet.net

November 17, 1999

Gov. Jesse Ventura  
130 State Capitol  
75 Constitution Ave.  
St. Paul, MN 55155

Dear Gov. Ventura:

It was nice meeting you on the flight to Japan recently. I hope you had a successful and productive trip. I had an incredible series of meetings with officials from Japan's Ministry of Agriculture, Fisheries, and Forestry (MAFF), including Vice-Minister Tagaki, concerning the export of American organic products to Japan.

As you are undoubtedly aware, the Japanese are very concerned about genetically modified foods, and would like to buy Minnesota grown organic or non-GMO products. There are many unanswered questions surrounding the environmental and human health effects of GMO crops, as discussed in the enclosed article from the New York Times.

I would like to propose that you and MDA Commissioner Gene Hugoson consider a bold strategy. I would like you to consider advocating for Minnesota to ban GMO crops, and promote itself as a GMO-free zone. This would give real meaning to the phrase "Minnesota Grown"! We would have Europe and Japan beating a path to our door to purchase Minnesota crops and products. The strategy is bold, and will be controversial, but it deserves serious consideration.

As I'm sure you heard in Japan, Minnesota farmers are losing market share because we are growing GMO crops. There is a direct correlation between the current farm crisis, low prices, and the planting of GMO crops. Farmers, and policy makers, have forgotten the important maxim, "The customer is always right!" No one asked consumers, especially in foreign markets, if they wanted to eat genetically engineered foods. And guess what - they don't!

The State of Minnesota is going to need to take some action to protect markets for Minnesota producers concerning the threats posed by GMO crops. What are the options?

1. Ban GMO crops and promote Minnesota Grown products as non-GMO. This would be controversial, but clear cut. It would treat all producers fairly, and could be accomplished with minimal bureaucracy and cost, and would likely have tremendous positive financial implications for Minnesota farmers and processors. It also deals with the problem of contamination of non-GMO crops by GMO pollen by not allowing GMO crops in the state.
2. Certify, track and label all GMO crops and products. There is growing support for mandatory labeling of GMO crops and products. It is relatively complicated to track all GMO crops, and to

clean out equipment prior to accepting, storing, and processing non-GMO crops, but it is possible. This option allows for consumers to distinguish GMO from non-GMO products, and places the burden for tracking and certifying GMO crops on GMO manufacturers and the producers who choose to grow GMO crops. It would be fairly expensive and creates new levels of bureaucracy. It does not protect non-GMO crops from being contaminated by GMO crops, but it does create a registry of GMO production sites.

3. Certify, track and label non-GMO crops and products. This is also relatively complicated, as it would require the tracking of non-GMO crops. Equipment would need to be clean and empty prior to accepting, storing, and processing non-GMO crops. This option allows for consumers to distinguish GMO from non-GMO products by specifically labeling the non-GMO products. This option places the burden for tracking and certifying non-GMO crops on producers who choose to grow non-GMO crops, leaving GMO manufacturers and GMO crop growers free to do as they wish. It would be fairly expensive and creates new levels of bureaucracy. It does not protect non-GMO crops from being contaminated by GMO crops, and needs to be backed up by extensive laboratory testing to be scientifically valid and acceptable to global markets.

4. Do nothing - let the "free market" decide. That is essentially what is occurring now. All of Minnesota agriculture is getting a black eye because we can't reliably segregate non-GMO from GMO crops. Minnesota producers are losing market share daily.

Minnesota needs bold leadership on this issue. I remember during your campaign, you often said, "Follow the money!" Well, follow the money on the GMO issue and it will lead straight to the pockets of Monsanto, Novartis, and the rest of the biotech industry. Money is going out of the pockets of Minnesota farmers and into the pockets of the "Gene Giants."

Standing up to the Gene Giants, their lobbyists, and the genetically engineered researchers may conceivably be the most courageous thing you will do as Governor. Very few politicians are willing to take them on. I can assure you, however, that there exists a groundswell of support, both among farmers and among consumers, for leaders who are willing to take action against the threats to economic survival, environmental sustainability, and human health posed by the corporations who are trying to push genetically modified foods down our throats.

GMO crops can be banned by rescinding the licenses of GMO crops grown in Minnesota. It may not even take Legislative action. It is the most straight forward and equitable solution, and offers the greatest possible economic rewards. It is the least bureaucratic and the most cost effective.

Minnesota farmers clearly do not need GMO crops to produce bumper yields. We can grow profitable, sustainable harvests without the technology which is bringing ruin to our rural economy.

Respectfully,

James A. Riddle  
Member, MDA Organic Advisory Task Force  
Member, Governor's Citizen Nominating Committee



ORGANIC INDEPENDENTS - Organicworks! - James A. Riddle and Joyce E. Ford  
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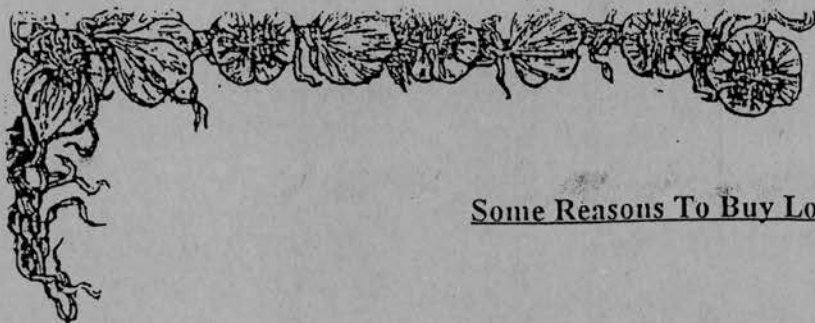
Standing up to the Gene Giants, their lobbyists, and the genetically engineered researchers may conceivably be the most courageous thing you will do as Governor. Very few politicians are willing to take them on. I can assure you, however, that there exists a groundswell of support, both among farmers and among consumers, for leaders who are willing to take action against the threats to economic survival, environmental sustainability, and human health posed by the corporations who are trying to push genetically modified foods down our throats.

GMO crops can be banned by rescinding the licenses of GMO crops grown in Minnesota. It may not even take Legislative action. It is the most straight forward and equitable solution, and offers the greatest possible economic rewards. It is the least bureaucratic and the most cost effective.

Minnesota farmers clearly do not need GMO crops to produce bumper yields. We can grow profitable, sustainable harvests without the technology which is bringing ruin to our rural economy.

Respectfully,

James A. Riddle  
Member, MDA Organic Advisory Task Force  
Member, Governor's Citizen Nominating Committee

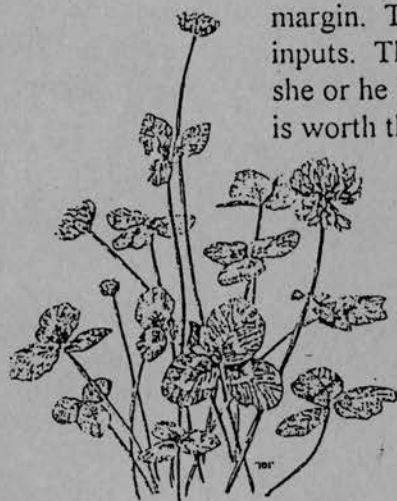


Record



### Some Reasons To Buy Locally Grown Food

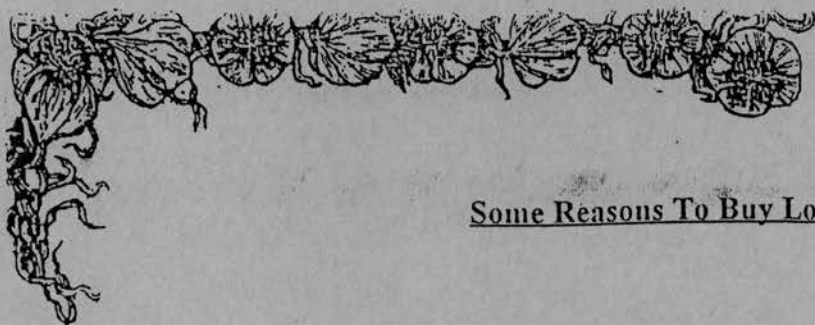
- ▶ *Support your neighbors:* Buying locally produced food helps keep money circulating within your community, where it can return to you and other local businesses. Buying locally can help sustain small family farms.
- ▶ *Know what's in your food:* How much do you know about the food you eat? We have become increasingly distanced from the production of our food, and have given up knowledge about what we are eating, in exchange for convenience and low prices. Buying local food gives you the opportunity to meet the people who grow your food, learn how it was grown, and know what kind of effects its production has on your health and the environment.
- ▶ *Fresh food is better:* Few would dispute the fact that fresher food is better for you. Though the advertising on highly processed foods may try to convince you that it's fresh, or "fresh-like", buying food from your own part of the world during the growing season is as fresh as it can get.
- ▶ *Reduce transportation:* Most of the food on our tables travels thousands of miles to reach us. This requires dependence on an energy-intensive distribution system, which brings us foods we could be producing in our own region.
- ▶ *Reduce support of exploitative food production:* Although America is a net exporter of grains and grain products, many of the fruits and vegetables we eat come from less developed countries, where pesticide and labor regulations are poor, unenforced, or nonexistent. Not only does this create dangerous work conditions for farm laborers, it also decreases the ability of many to feed themselves, when our large agricultural corporations control land, and do not pay enough for workers to support themselves. Our food system plays an economic role in hunger around the world.
- ▶ *It may not be cheaper!* Many people are surprised to find that locally grown food can be more expensive than what they find at the supermarket. There are several reasons for this. One is that small farmers often are not able to produce vast quantities with a low profit margin. To do so usually requires heavy capital investment in mechanization and chemical inputs. The best way to decide about higher prices is to *talk to the farmer*. Find out how she or he is producing the food you buy, and make an informed decision about whether it is worth the higher price. You may find it is!



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keeping the land and people together since 1982.  
2200 4<sup>th</sup> St., White Bear Lake, MN 55110. ☎ 651-653-0618

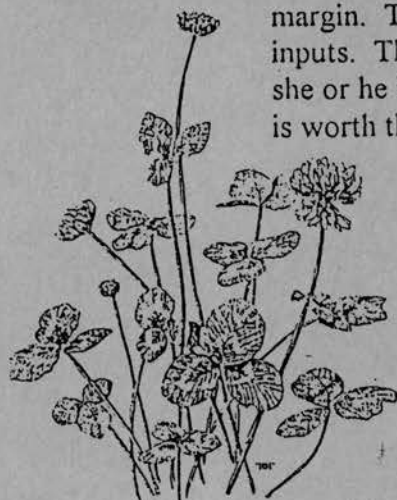






### Some Reasons To Buy Locally Grown Food

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Record

EARTH † LETTER

# The World Trade Organization: A Theological Critique

*by John B. Cobb, Jr.*

## **WORLD GOVERNMENT AT LAST?**

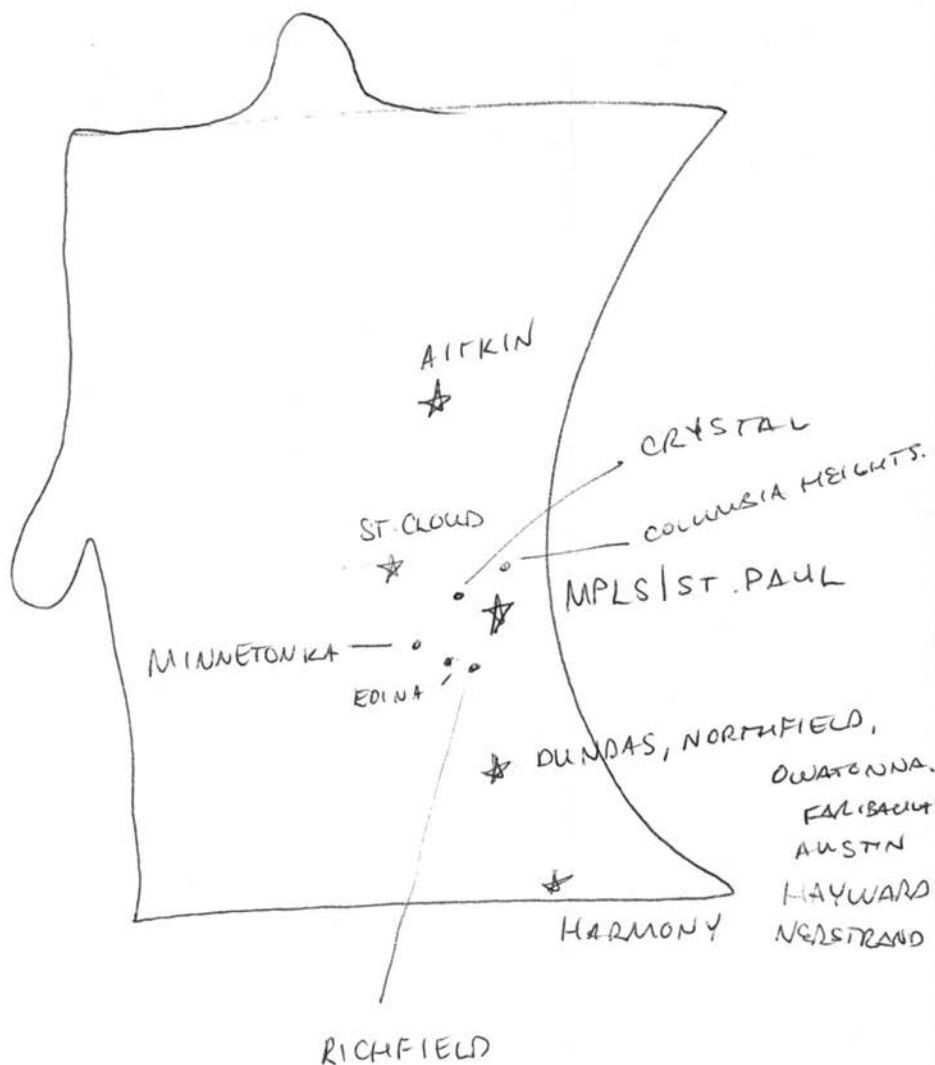
Do you favor world government? If so, you should look closely at the World Trade Organization (WTO). It is the only institution that has the power to overturn the laws of governments all over the world. It is the closest thing we now have to a world government.

Traditional economic theory gives strong support to free trade. This theory systematically shows that the market, when left to itself, provides the best signals to manufacturers as to what to produce. The market leads to the lowest prices at which these goods can be sold with a sufficient return to the manufacturer to warrant continued manufacturing. The competition



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### **Explanation of current draft of evaluation:**

Report form would be filled out by co-facilitator or by scribe. Instructions would be to eyeball the diversity. It has been suggested that demographics are questions many feel to be unfriendly. An alternate idea would be to include demographics but to use a 4 x 6 card and have them put it into an envelope or a ballot box.

The sheet that begins with discussion guide would be done at the end of the sessions.

Site statistics would be filled out by the League person in charge of that site



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Deanna Lederer, St. Cloud

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Eunice Biel, Harmony  
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Grace Skaar, Hayward

North:

Jeanne & Gordon Prickett, Aitkin



~~① in Thief River Falls~~

① in Aitkin area

④ in St CLOUD AREA incl Sartell

ask ~~me~~ me about this! ss

① in New Ulm area

upb/STP  
⑩ in METRO AREA incl suburbs:

⑤ in N FLD AREA DUNDAS incl NEPSYRAND

many  
? @ Watoma

④	Eunice @ Harmony	④	Adeline @ Austin Grace @ Hayward
			in ROCHESTER AREA

↑ ?

① Harold Swanson in IOWA area

THE LEAGUE  
OF WOMEN VOTERS  
OF THE UNITED STATES



MEMORANDUM

TO : State, Local, ILO Presidents and DPM Subscribers  
FROM : Judy Knight, Chair, Agriculture Study  
SUBJECT : Report on Consensus on Federal Agriculture Policy  
DATE : October 1988  
COPIES :

At its October meeting the national board reviewed consensus results submitted by Leagues in the Agriculture Study. Based on those responses, the board agreed to a new LWVUS position on Federal Agriculture Policy.

The national board and the Agriculture Study Committee are very satisfied with the successful completion of this two-year study adopted by Convention '86. A majority of local Leagues across the country participated in the agriculture consensus, with little regional differentiation in participation rates.

Leagues should feel proud that members did indeed come to grips with the complex issues in the study and, with customary League competence, arrived at a solid consensus.

The board again thanks the Leagues that participated in the field testing of the consensus questions; their efforts helped us develop a manageable and effective study. The field test results gave us the necessary guidance to shape questions that were stated broadly enough to provide a position that would enable the LWVUS to judge and evaluate agriculture policy for years to come. We did not consider specific commodity programs. Also recall that the board decided (see September 1986 Post-Board Summary) that some issues would not be addressed at all by the study: farm workers/farm labor issues, health and nutrition issues, rural community economic development issues and domestic food assistance needs.

Issues  
not  
included  
in study

The statement of position, a sample press release announcing the position (for you to tailor to your needs) and a "Q & A" are attached.



THE LEAGUE  
OF WOMEN VOTERS  
OF THE UNITED STATES



NANCY M. NEUMAN  
President

Agriculture Consensus: Questions and Answers

Q. What is meant by "sustainable agriculture"?

A. The term sustainable agriculture as used in the League study includes both environmental and social aspects. The goals of sustainable agriculture policy are to promote ecologically sound and socially responsible farm practices. Sustainable agriculture promotes a system of farming that is low-input and regenerative and conserves human resources crucial to agriculture.

Q. What is meant by the term "reasonable" in the position statement?

A. The term reasonable is used twice in the position statement. Once, in reference to promoting adequate supplies of food and fiber at reasonable prices and again when the League supports ensuring that farmers have access to farm credit with reasonable terms and conditions. Reasonable prices for food and fiber are those that allow even the poorest to afford adequate nutrition, loosely interpreted; reasonable prices are also those that are not subject to wide price swings. Reasonable terms for farm credit imply availability to farmers, through the federal government if necessary, of credit for farm operations at rates that are not usurious.

Q. What is meant by mid-sized farms?

A. Mid-sized farms, or "family farms" as they are often referred to, are those with gross annual sales between \$40,000 and \$250,000. Most mid-sized farm households depend on farming for a large part of their income although the farms vary in land size and type of crop produced.

Q. What are some of the specifics on the League's new position?

A. The position can be used to support sustainable agriculture and action to reduce the use of toxic chemicals on the farm.

The agriculture position can be used to support drought relief on the basis of the concern about sustainable agriculture and protection of agricultural resources.

It can be used to support decoupling (moving away from direct farm payments based on production), because decoupling is consistent with the strong consensus on greater reliance on the free market to determine agricultural prices.

The position can be used to support a gradual reduction in the loan rates as part of a move toward a free-market situation.

The position supports farm credit reform. We believe that, in any case, the federal government should be the lender of last resort. *How is it today?*

The position can be used to support targeting research programs and technological assistance to mid-sized farms and sustainable agriculture.

The position can be used to support the conservation reserve program, and to oppose the removal of lands prematurely from the conservation reserve.

The position cannot be used to address supply controls or capping payments to individual farmers. //

Q. Can the League position be used to support relief for family farms?

A. Yes, if the program in question is for research and technical assistance, for farm credit at reasonable terms and conditions, or to enable farmers to use sustainable agriculture. Of course, the League supports these programs for all farms, regardless of size. //

Q. Does the position address the rights of women farmers and minority farmers?

A. Other League positions address these issues as a matter of equality of opportunity with respect to employment, education and housing.

Q. How far toward a free market does the League position advocate moving?

A. The position speaks of greater reliance, not total reliance, on the free market to determine prices. In assessing federal programs that move agriculture toward greater reliance

on the free market, the League will consider special problems peculiar to agriculture. The position does not envision reliance on the free market to the detriment of particular groups of farmers in times of economic hardships or difficulty due to severe climate or natural disasters. //

Q. Does the agriculture position support deficit reduction?

A. The position does not mention deficit reduction per se but it does support moving away from commodity programs to determine prices. This indicates a clear tie to the League's deficit position under fiscal policy. In addition, the League's work on deficit issues as part of the expanded Campaign for a Safer World will relate to this facet of the agriculture position.

Q. Does the League have a position on individual commodities like tobacco, sugar, mohair, rice, grain, corn, etc.?

A. The League does not have a position on any particular commodity.

Q. What would be the League's stance on a future grain embargo?

A. The League believes that U.S. efforts should be directed toward expanding export markets for U.S. agricultural products. Based on both the agriculture position and the international relations position, the League could oppose a grain embargo.

Q. Are there issues included in the League study on which there was no consensus?

A. There was no consensus on controlling surpluses, protecting farm income, or stabilizing prices for farm commodities. //

Q. How will the new position be integrated into the League's advocacy work?

A. The LWVUS board will assess advocacy possibilities affecting agriculture as it determines the 1989 advocacy agenda in January.

Q. What is the League doing next for its work on agriculture?

A. The League of Women Voters Education Fund will begin a three-year program of issue training and citizen education funded by a grant. This project is being conducted jointly with Public Voice for Food and Health Policy, a consumer organization. The project will address one broad issue area per year in agriculture policy. The formal notice to Leagues about

this project will be made soon, describing how the League network can be involved.

Q. What can my LWV do on agriculture at the state or local level?

A. Leagues can use the information in this mailing to develop a strategy at the state and local levels for educating citizens or advocating for sustainable agriculture and other goals consistent with the national position. For example, a League could find out what programs are being conducted for farmers by land-grant colleges, by the agriculture extension office, or by state departments of agriculture. Leagues could also determine what activities the local ASCS, SCS, farm credit bodies and Farmers Home Administration are pursuing. After consulting with other concerned groups, Leagues could craft a strategy keeping in mind state and local League positions. As always, state and local League boards can apply national positions for action at the state and local level. The relevant League board must be sure that its members are knowledgeable and support the action to be taken.



Lenala 3

United States  
Department of  
Agriculture

National  
Commission on  
Small Farms

# A Time to Act

*A Report of the USDA National  
Commission on Small Farms*

*January 1998*

## National Commission on Small Farms





---

*This report is dedicated to the memory, life and work of  
Dr. Martin Luther King, Jr., who gave his life for expanding  
opportunities for all Americans; and to Thomas Jefferson,  
who envisioned the "yeoman" farmer as the bedrock of  
American democracy.*



# **A Time to Act**

*A Report of the USDA National  
Commission on Small Farms*


*January 1998*

---

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**Miscellaneous Publication 1545 (MP-1545)**



# A Time to Act

## *A Report of the USDA National Commission on Small Farms*

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# Letter of Transmittal

January 1998

Secretary Glickman,

The National Commission on Small Farms is pleased to submit to you our report – *A Time to Act*. It is the product of considerable discussion and deliberation based on extensive oral and written testimonies and suggestions gleaned from the Commission's many regional hearings, as well as from written materials submitted to the Commission.

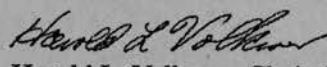
USDA's administrators and staff made themselves accessible to the Commission and provided much useful information about the Department's many and varied agencies, programs, and policies. And USDA staff who worked with the Commission were indispensable in facilitating the Commission's work.


Having gone through the process of developing this report, we are now even more convinced of the necessity to recognize the small farm as the cornerstone of our agricultural and rural economy. We feel that a sustainable rural renaissance can be anchored in a vibrant, dynamic, small farm sector and we believe that the Commission's recommendations, if implemented, will contribute to this renaissance.


We wish to acknowledge and applaud your decisive action in appointing this Commission and in responding to concerns and recommendations made in the Civil Rights Action Team Report.

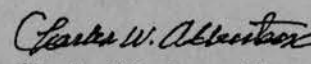
We look forward to joining with you and others in helping to fashion policies, programs, and partnerships that will bring economic vibrancy to rural communities, wholesome and nutritious food for consumers, stability to our small farm enterprises, and an improved quality of life to our small farmers and our farmworkers.

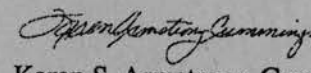
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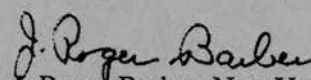
  
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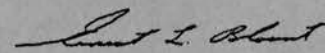
  
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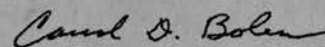
  
Kathleen Sullivan Kelley,  
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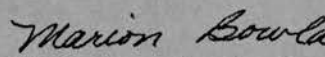
  
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Karen S. Armstrong-Cummings,  
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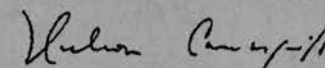
  
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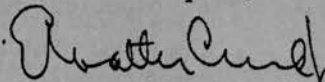
  
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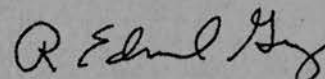
  
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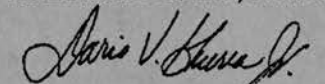
  
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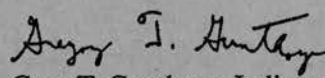
  
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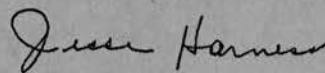
  
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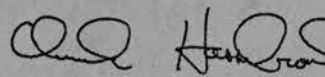
  
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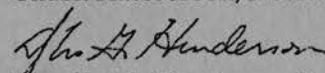
  
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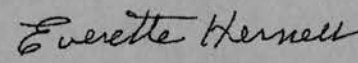
  
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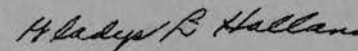
  
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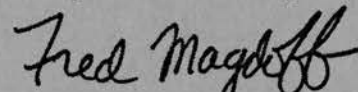
  
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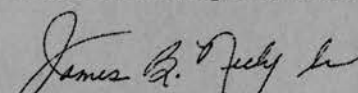
  
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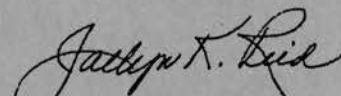
  
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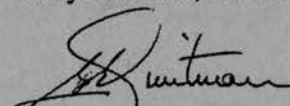
  
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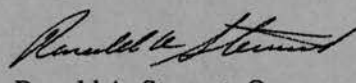
  
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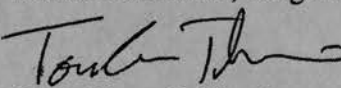
  
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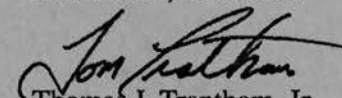
  
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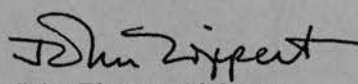
  
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Greg E. Smitman, Montana

  
Ronald A. Stewart, Oregon

  
Toulou Thao, California

  
Thomas J. Trantham, Jr.,  
South Carolina

  
John Zippert, Alabama



## II. Executive Summary

Not since Secretary of Agriculture Bob Bergland initiated a study of the structure of agriculture in 1979 has USDA made the effort to examine the condition of farming and its place in our food system. The USDA Civil Rights Action Team that recommended formation of a commission recognized that, in addition to racial discrimination, government policies and practices have discriminated against small farm operators. In July of 1997, nearly 20 years later, Secretary of Agriculture Dan Glickman appointed a 30-member National Commission on Small Farms to examine the status of small farms in the United States and to determine a course of action for USDA to recognize, respect, and respond to their needs.

The Commission began its work in Memphis, Tennessee, on July 28. Subsequent public hearings and meetings were held in Sioux Falls, South Dakota, on August 21 and 22; Washington, DC, on September 10 and 11; and Sacramento, California, on September 15 and 16. Three smaller meetings were held in Albany, New York; Albuquerque, New Mexico; and Portland, Oregon. The results of the Commission's work are embodied in the 146 recommendations in this report, *A Time to Act*.

When Secretary Bergland's report, *A Time to Choose*, was published, it warned that "...unless present policies and programs are changed so that they counter, instead of reinforce or accelerate the trends towards ever-larger farming operations, the result will be a few large farms controlling food production in only a few years."<sup>1</sup>

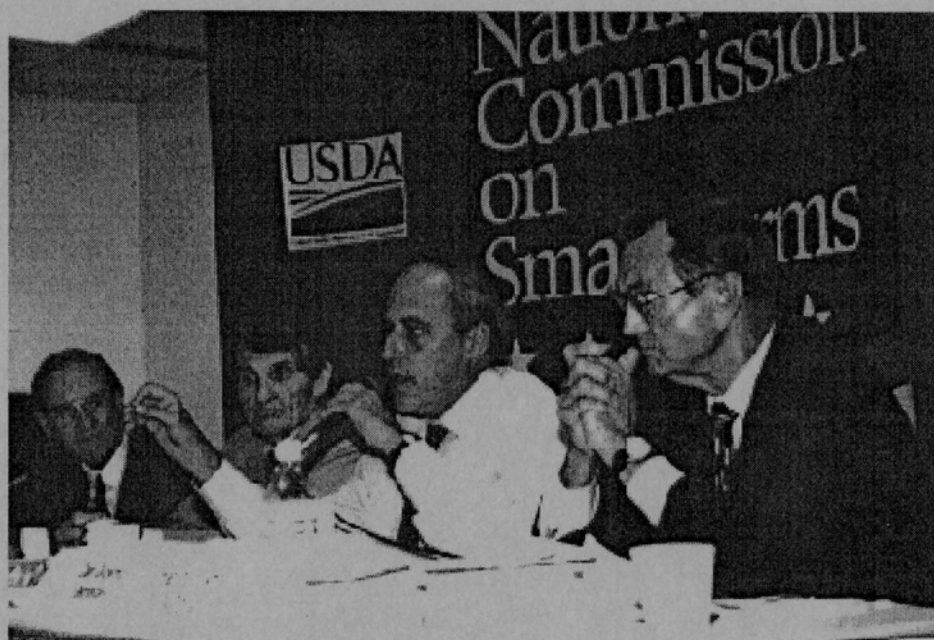
Looking back now nearly 2 decades later, it is evident that this warning was not heeded, but instead, policy choices made since then perpetuated the structural bias toward greater concentration of assets and wealth in fewer and larger farms and fewer and larger agribusiness firms. Federal farm programs have historically benefited large farms the most. Tax policies give large farmers greater incentives for capital purchases to expand their operations. Large farms that depend on hired farmworkers receive exemptions from Federal labor laws allowing them the advantage of low-wage labor costs.

Today, we have 300,000 fewer farmers than in 1979, and farmers are receiving 13 percent less for every consumer dollar. Four firms now control over 80 percent of the beef market. About 94 percent of the Nation's farms are small farms, but they receive only 41 percent of all farm receipts.

Like most major industries, the ownership and control over agricultural assets is increasingly concentrated in fewer and fewer hands. Farmers have little to no control over setting the price for their products. The basic tenets of a "competitive" market are less and less evident in crop and livestock markets today.

The recent passage of the 1996 Federal Agricultural Improvement and Reform Act was a watershed event in the history of Federal farm policy. It signals the reduction and eventual elimination of government intervention in commodity markets as a means to provide income and price stability for the farming sector.

<sup>1</sup> *A Time to Choose: Summary Report on the Structure of Agriculture*. USDA. Washington, DC. January 1981. p. 142.



Agricultural technologies have emerged that use ever greater levels of capital to enable fewer people to produce the Nation's food. As a result, income and opportunities have shifted from farms to the companies that produce and sell inputs to farmers. As farmers focused on producing undifferentiated raw commodities, food system profit and opportunities were shifted to the companies that process, package, and market food. Consequently, from 1910 to 1990 the share of the agricultural economy received by farmers dropped from 21 to 5 percent.<sup>2</sup>

The pace of industrialization of agriculture has quickened. The dominant trend is a few, large, vertically integrated firms controlling the majority of food and fiber products in an increasingly global processing and distribution system. If we do not act now, we will no longer have a choice about the kind of agriculture we desire as a Nation.

### **A Vision for Small Farms in the 21st Century**

The National Commission on Small Farms is certain about its choice for the future of American agriculture:

*Small farms have been the foundation of our Nation, rooted in the ideals of Thomas Jefferson and recognized as such in core agricultural policies. It is with this recognition of our Nation's historical commitment to small farms that we renew our dedication to the prominence of small farms in the renewal of American communities in the 21st century. Black, Hispanic, Native American, Asian, women, and other minorities have contributed immensely to our Nation's food production and their contributions should be recognized and rewarded.*

*It is our resolve that small farms will be stronger and will thrive, using farming systems that emphasize the management, skill, and ingenuity of the individual farmer. We envision a competitive advantage for small farms realized through a framework of supportive, yet responsible, government and private initiatives, the application of appropriate research and extension, and the*

<sup>2</sup> Smith, Stewart, "Farming: It's Declining in the U.S.," Choices, First Quarter 1992.



*stimulation of new marketing opportunities. As small farms and farmworkers succeed in this nurturing environment, not only will they continue their valuable contribution to the Nation's food supply, but they will also fuel local economies and energize rural communities all across America. In the process of flourishing, small farms will contribute to the strengthening of society, providing communities and the Nation with opportunities for self-employment and ownership of land, and providing a cultural and traditional way of life as well as nurturing places to raise families.*

*We emphasize public policies that recognize the value of small farms and actively encourage their growth and continuation. These policies are essential to the realization of this vision; so too, are policies that recognize and reward the contributions of farmworkers and their families. Toward this end, the Commission has articulated goals and made specific recommendations to guide the decision-making of the Secretary of Agriculture, the Executive Branch and Congress into the next century.*

This vision is focused on those farms with less than \$250,000 gross receipts annually, on which day-to-day labor and management are provided by the farmer and/or the farm family that owns the production or owns, or leases, the productive assets.

### **Policy Goals for Our Nation's Small Farms**

The Commission outlined 8 policy goals for a national strategy for small farms:

#### ***Policy Goal 1: Recognize the importance and cultivate the strengths of small farms***

- USDA's Research, Education and Economics Mission Area should design and implement a small farm research initiative dedicated to optimizing the labor and ingenuity of small farm operators and the biological assets of their farms using less capital-intensive investments.
- USDA should re-commit itself as the "lender of last resort" by focusing greater attention to serving the credit needs of small, minority, and beginning farmers; reversing the shift to guaranteed loans; and accelerating action on pending credit regulations.
- Congress should repeal the provisions that prohibit farmers who have previously had "debt forgiveness" from receiving any future USDA loans or credit assistance.
- USDA policies, programs, and regulations should be reviewed to identify program rules and regulations that are either intentionally or unintentionally biased against small farms, including the Environmental Quality Incentives Program, the Business and Industry Loan Program, and Forestry Stewardship Programs.

#### ***Policy Goal 2: Create a framework of support and responsibility for small farms***

- Establish an Administrator of Small Farm Programs that reports to the Secretary and has Senior Executive Service status.

- USDA should develop a Department-wide Small Farm and Ranch Policy that encompasses the vision and the guiding principles set forth by the Commission and that must be reflected in the services, programs, and materials delivered by each agency.

### *Policy Goal 3: Promote, develop, and enforce fair, competitive, and open markets for small farms*

- USDA's Rural Business – Cooperative Service should give priority to the development of farmer-owned, value-added cooperatives and farm-based businesses where profits flow to and within the community; where wage-laborers are paid a living wage; where the efforts results in more local and regional competition in the cash market, not less; and where natural resource stewardship is rewarded through the market.
- The Secretary should propose legislation clarifying the authority of the Grain Inspection, Packers and Stockyards Administration (GIPSA) to prohibit discriminatory pricing on the basis of volume.
- The Secretary should consider Federal production contract legislation to address issues such as contract termination, duration, and re-negotiation; prohibition against discriminatory practices; and responsibility for environmental damages.
- The Commission endorses the proposed rule to prohibit packers from procuring cattle for slaughter through the use of a forward contract, and from owning and feeding cattle, with limited exceptions.
- USDA should investigate the processing and retailing segments of the dairy industry to determine if excessive profits are being made at the expense of farmers and consumers.
- USDA should develop an interagency initiative to promote and foster local and regional food systems featuring farmers markets, community gardens, Community Supported Agriculture, and direct marketing to school lunch programs.

### *Policy Goal 4: Conduct appropriate outreach through partnerships to serve small farm and ranch operators*

- Farm Service Agency State Executive Directors, Rural Development State Directors, Natural Resources Conservation Service State Conservationists, and State Cooperative Extension program administrators should support the formation of farmer networks and mentoring programs for small farmers.
- USDA should collaborate with and jointly fund community-based organizations to train people to be farmer advocates.
- Educational efforts by the Risk Management Agency should address sustainable agriculture practices as a means of managing risk on small farms.

### *Policy Goal 5: Establish future generations of farmers*

- USDA should launch an interagency Beginning Farmer Initiative dedicated to researching, developing, and disseminating farm management models that emphasize low-capital investment, optimal use of skilled labor and management potential of beginning farmers, and high-value crop and livestock production and marketing methods.

- The Farm Service Agency should clearly define the eligibility requirements for beginning farmers and recognize the farming experience of persons who were raised on family farms, who worked as hired farm labor, or who received training from apprenticeships.
- Congress should authorize the Farm Service Agency to guarantee tax-exempt First Time Farmer Bonds used to make loans to beginning farmers and ranchers.
- USDA should seek legislative authority to create a Beginning Farmer Matching Grant program for the purpose of supplying equity funds for entry farmers in lieu of loans.

***Policy Goal 6: Emphasize sustainable agriculture as a profitable, ecological, and socially sound strategy for small farms***

- The USDA Office of Communications should conduct a communications campaign to inform farmers of the new farming strategies emerging from the 10 years of sustainable agriculture research.
- The Secretary of Agriculture should support policies that preserve the grazing and water use rights of the small and traditionally underserved public land permittees.
- USDA's Risk Management Agency should develop an affordable Whole Farm Revenue Insurance pilot project for diversified small farms using sustainable farming practices.
- The Secretary should exercise restraint in approving exceptions to the 1,000 animal units eligibility limit on EQIP funding for livestock manure storage structures.

***Policy Goal 7: Dedicate budget resources to strengthen the competitive position of small farms in American agriculture***

- Increase appropriations for the Sustainable Agriculture Research and Education program by \$10 million each year over 3 years to reach \$40 million.
- Increase the Outreach and Technical Assistance Program for Socially Disadvantaged and Minority Farmers (Sec. 2501) program to the current authorized level of \$10 million annually.
- Increase funding to the maximum authorized levels of \$85 million for Farm Ownership Direct Loans and \$500 million for Farm Operating Direct Loans.
- Increase Rural Technology and Cooperative Development Center Grant Program funding to \$20 million.
- Ensure GIPSA appropriated funding at \$3 million for reorganization, \$1.65 million for increased staff, and \$750,000 for investigation into unfair market practices in the poultry industry.

***Policy Goal 8: Provide just and humane working conditions for all people engaged in production agriculture***

- President Clinton should establish an interdepartmental task force led by Secretary Glickman involving the Departments of Education, Labor, Health and Human Services, and Environmental Protection Agency, as well as the Internal Revenue Service and the Immigration and Naturalization Service, to address the laws, regulations, and enforcement affecting farmworkers.





- A Farmworker Coordinator position should be created within the USDA Office of Outreach.

### The Public Value of Small Farms

The dominant belief in agriculture is that large farms are more efficient than small farms. However, Professor Willis L. Peterson from the University of Minnesota found that factors other than size influence the unit costs in agriculture. Peterson asserts that "small family and part-time farms are at least as efficient as larger commercial operations. In fact, there is evidence of diseconomies of scale as farm size increases."<sup>3</sup>

In addition, our economic accounting systems do not take into account the "hidden" costs of large farms. An agricultural system characterized by a limited number of large-scale farms does not take into account the loss of market competition when production is concentrated in oligopsonistic markets. The environmental consequences of concentrating a large number of animals in limited areas is rarely considered.

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

In 1980, Secretary Bergland proposed a "Time to Choose" the future direction for our Nation's agriculture. However, policy choices made since then have diminished the role and relevance of small farms in this country.

On more than one occasion, farmers who spoke at the public meetings referred to the Commission as "our last hope." It is with conviction and hope that the National Commission on Small Farms is asking the Congress and USDA to *act* on the needs of America's small farmers.

<sup>3</sup> Peterson, Willis L., "Are Large Farms More Efficient?" Staff Paper P97-2. University of Minnesota, Department of Applied Economics. January 1997.

### III. Introduction

Not since Secretary of Agriculture Bob Bergland initiated a study of the structure of agriculture in 1979 has USDA made the effort to examine the condition of farming and its place in our food system. In July of 1997, nearly 20 years later, Secretary of Agriculture Dan Glickman appointed a 30-member National Commission on Small Farms to examine the status of small farms in the United States and to determine a course of action for USDA to recognize, respect and respond to their needs through changes in policies, practices, and programmatic approaches.

Early on in the process, members of the National Commission on Small Farms recognized that its focus was not limited to the viability of "small farms," but rather their efforts were to include an examination of the structure of agriculture and how it affects small farm viability. The focus of the Commission was "How do farms, of modest investments, owned and operated by families who supply the majority of labor, remain profitable in an agricultural structure that is increasingly bi-polar?"

When providing the newly formed National Commission on Small Farms with its assignment to develop a National Strategy for Small Farms, Secretary of Agriculture Dan Glickman outlined the challenges facing small farmers today:

*Its no secret out in farm country that things are changing...and fast. Agriculture, like every other major sector of our economy, is concentrating. From defense to retail stores, to health care, to railroads, to farms and ranches — we're seeing fewer and larger operations, mergers and buyouts, larger market shares and fewer people in those markets.*

At the time of the first meeting, the Commission recognized that there was seemingly a national consensus that larger farms are more efficient and, therefore, in the national interest. However, members of the Commission believe that the primary values of small farms were to be found in our national heritage and that heritage is important to keep alive for future generations. As eloquently stated during the first hearing: "The greatest thing that agriculture furnished this country is not food or fiber, but a set of children with a work ethic and a good set of values."<sup>4</sup>

During the several months since the initial public meeting in Memphis, the Commission heard oral testimony from literally hundreds of owners of small farms and people in the agriculture sector. They have read and studied written testimonies and research papers which stack up over a foot thick. The Commission has engaged in freewheeling debate and in-depth discussions among themselves and with experts on numerous issues affecting all aspects of the American agriculture community. Commission members also spent hundreds of workhours with USDA staff studying various programs. Most importantly, the Commission learned.

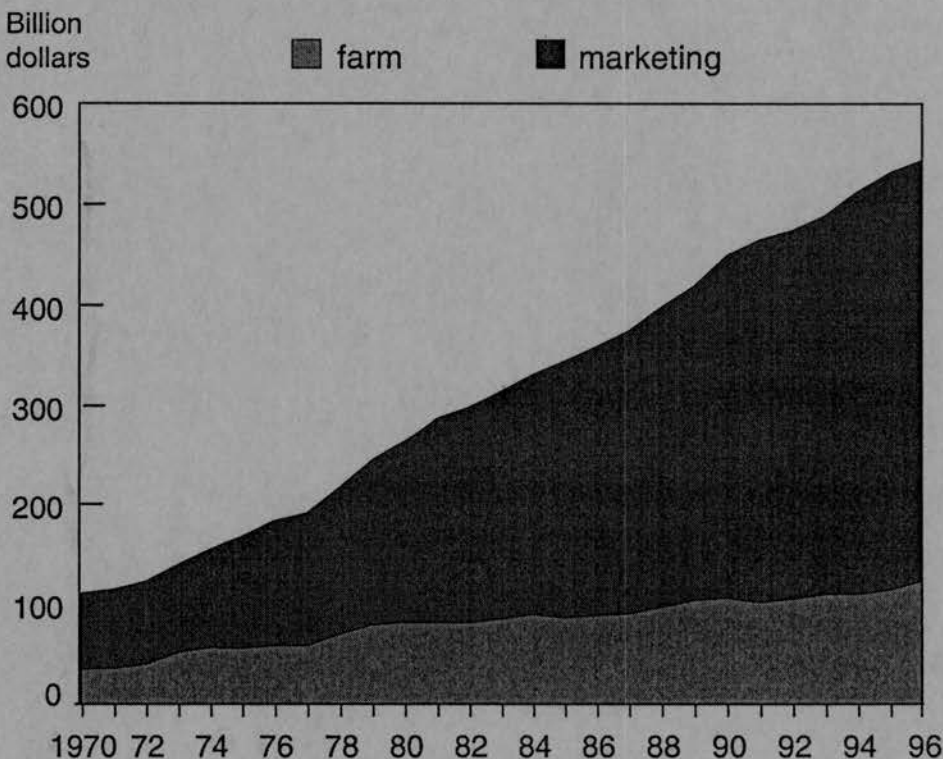
<sup>4</sup> Ron Macher, of Clark, Missouri. Editor of Small Farm Today Magazine, testimony at Memphis public meeting, July 28, 1997.

The Commission learned that larger farms are not more efficient than small farms at producing crops.<sup>5</sup> They learned that as small farms are consolidated into larger farms, the economic basis of America's rural communities decline, and rural towns are lost.<sup>6</sup> Trends have also been revealing. The land base of America is being concentrated into fewer and fewer owners, in large part due to the concentration of agriculture, and that large agricultural processors are actively acquiring highly productive farm land in some regions, like the Central Valley of California. Another trend which was repeated throughout the written and oral testimony is the tendency of the large agricultural integrators to avoid capital investment in the means of production and pass both the risk and costs on to their contract growers or to society at large in the form of water and soil pollution and increased Federal assistance to those rural communities. Finally, and importantly, a trend which appears in all sectors of American agriculture is a widening spread between what farmers received for their production and what consumers pay at the supermarket (See Figure 1). The

Figure 1

### Distribution of food expenditures

*The marketing bill is 77 percent of 1996 food expenditures*



Data for foods of U.S. farm origin purchased by or for consumers for consumption both at home and away from home

Source: Agriculture Fact Book 1997

<sup>5</sup> Peterson, W.L. 1997. Are Large Farms More Efficient? Staff Paper p97-2. University of Minnesota

<sup>6</sup> Lobao, Linda M., *Locality and Inequality: Farm and Industry Structure and Socioeconomic Conditions*, State University of New York Press, Albany. 1990. p. 56-57



setting of prices under near monopoly conditions allows the major processors and retailers of agricultural products to capture an increased price spread, bankrupting farmers while providing the financial ability for these agricultural industries to buy their competition, further concentrating markets and eliminating the free market on which our society depends.

The U.S. Department of Agriculture, established by President Lincoln as the "People's Department," has numerous agencies and programs whose purposes are to ensure an abundant and safe national food supply. Historically, these programs adopted a mission of assisting American small farmers and provided locally driven Federal support to millions of farm families in rural America. Lending programs were established to provide services as the lender "of last resort" when other credit sources were not available. Extension services assisted farmers and their families with crop selection, food preservation, home economics, and youth development through the 4-H program. Conservation programs focused on assisting individual farmers in improving the long-term productivity and sustainability of their lands. Research focused on improved crop cultivars and on-farm improvements to improve production.

### The Result of Choices Made

Secretary Bergland committed a year and a half of public hearings, research, and analysis to the structure and performance of agriculture, culminating in a report entitled *A Time to Choose*, published in January 1981, on the eve of a new Administration. The report described the historical trends and changes in the structure of agriculture over time and warned, "...unless present policies and programs are changed so that they counter, instead of reinforce or accelerate the trends towards ever-larger farming operations, the result will be a few large farms controlling food production in only a few years."<sup>7</sup> Looking back now nearly 2 decades later, it is evident that this warning was not heeded, but instead policy choices made since January of 1981 perpetuated the structural bias toward greater concentration of assets in fewer and larger farms and fewer and larger agribusiness firms.

A few statistics illustrate the effects of Federal agricultural policies since Secretary Bergland's study:

In 1978, there were 2.3 million farms in the United States.<sup>8</sup>  
Today, there are 2.0 million farms in the United States.<sup>9</sup>

In 1980, 4 firms controlled 36 percent of the beef slaughter.  
Today, 4 firms control 80 percent of the beef slaughter.<sup>10</sup>

<sup>7</sup> *A Time to Choose: Summary Report on the Structure of Agriculture*. USDA, Washington, DC January, 1981. p. 142.

<sup>8</sup> *Ibid.* p. 42

<sup>9</sup> *Structural and Financial Characteristics of U.S. Farms, 1994*. USDA Economic Research Service. p. 18.

<sup>10</sup> Refers to steer and heifer slaughter only. GIPSA, *Packers and Stockyards Statistical Report, 1995 Reporting Year*, SR-97-1, September, 1997. p. 49

In 1980, the farmer received 37 cents of every consumer dollar spent on food. Today, the farmer receives 23 cents of every consumer dollar spent on food.<sup>11</sup>

Within a few years of printing *A Time to Choose*, American agriculture experienced the worst economic crisis in farming since the Great Depression due to record crop production, falling export demand, and the Federal Reserve's anti-inflationary measures of high interest rates and high exchange rates. Many farmers faced a credit crisis, having borrowed on rising land values in the 1970's to expand operations, resulting in high numbers of bankruptcies and foreclosures among farms of all sizes, bank closings, and agriculture-related business failures. The economic stress took its toll on farm families, sometimes resulting in suicide and divorce, and tore at the fabric of rural community life.

### Historical large-farm bias

The 1981 farm bill largely continued the design of the farm programs of the 1970's, despite opposition from a new Administration committed to reducing government intervention in agriculture. Domestic grain surpluses soared due to low acreage set-asides and export markets dampened by high exchange rates. Farm subsidy costs were unprecedented. The new Administration, committed to reducing government spending in agriculture, proposed major cuts in farm price support levels in the 1985 farm bill. However, the farm debt crisis made these proposals politically impossible and they were rejected by the Congress. During this same time, "economic emergency" loans were made to highly leveraged large farms; many of these loans would ultimately go uncollected. It is these loans which constitute 78 percent of currently reported 23 percent delinquency in USDA Direct Lending programs. The final 1985 farm bill retained the basic farm policy mechanisms, but began to put downward pressure on farm prices by freezing target prices, lowering loan rates and subsidizing exports. In 1987, the Administration, under the leadership of Secretary Clayton Yeutter, took its proposals for cutting agriculture spending to the General Agreement on Tariffs and Trade (GATT) and eventually succeeded in winning reductions in agricultural subsidies worldwide.<sup>12</sup>

Following record spending on farm subsidies, and the passage of the Gramm-Rudman deficit reduction law, the 1990 farm bill set in motion a movement to reduce government payments to farmers by instituting the "triple base," which reduced the amount of acreage eligible for payments. This set the course for the most recent policy change in the 1996 Federal Agriculture Improvement and Reform Act (FAIR), which decoupled planting decisions from payments and instead provided "transition" payments scheduled to cease in 2002.

<sup>11</sup> 1997 Agriculture Fact Book. USDA. p 10. Includes food eaten at home and away from home based on an average market basket survey. Twenty-three cents represents the gross cash income received by farmers, before farm expenses and labor are subtracted. See also Description of a Small Farm, page 24.

<sup>12</sup> For a comprehensive history of Federal farm policy, see Chapter 3 of "Reforming Farm Policy: Toward a National Agenda," by Willard C. Cochrane and C. Ford Runge. Iowa State University Press. 1992.



Even though only about one-third of U.S. farmers have participated in Federal farm programs, these programs have historically been structurally biased toward benefiting the largest farms. Farm payments have been calculated on the basis of volume of production, thus giving a greater share of payments to large farms, enabling them to further capitalize and expand their operations. Attempts to place caps on the amount of payments per farm have not resulted in their intended effects.

The present system of "transition" payments perpetuates the large-farm bias because the amount of payment is based on historical payment levels. A new risk management tool, "revenue insurance," also perpetuates a large-farm bias through its provisions of coverage for the few major program commodities with no limit on the amount of coverage provided. Additionally, recent changes in Federal tax policy provide disproportionate benefits to large farms through tax incentives for capital purchases to expand operations. Large-scale farms that depend on hired farmworkers for labor receive exemptions from Federal labor law afforded workers in every other industry, allowing them the advantage of low-wage labor costs.

### The Structure of Agriculture Today

The most widely used description of the structure of agriculture is based on the statistic of gross farm sales. USDA Economic Research Service labels three-fourths of the Nation's farms that have annual gross sales under \$50,000 as "non-commercial" farms, meaning they do not generate enough sales to be commercially viable on their own. Half of these farmers rely on off-farm income. Many dismiss these farmers as "hobby farmers," implying that their goals do not include making a profit. This categorization fails to recognize that for some of these farmers, off-farm jobs are not a choice, but a necessity due to the inability to obtain an adequate return from farming. And in some places, such as Indian reservations, off-farm jobs are not available at all. Even for farmers in the next highest sales class, from \$50,000 gross sales to \$250,000 gross sales, where 86 percent of these farmers count farming as their primary occupation, the average return on equity is negative.<sup>13</sup>

Another popular statistic used to describe the structure of agriculture is the contribution of value of production per sales class. Farms with gross sales under \$250,000 make up 94 percent of all farms. However, these farms receive only 41 percent of all farm receipts. In other words, out of 2 million farms, only 122,810 of the super-large farms receive the majority of farm receipts.

<sup>13</sup> Structural and Financial Characteristics of U.S. Farms, 1994. USDA Economic Research Service. p. 20.

There is a danger in relying on gross sales statistics to provide the whole picture of the structure and performance of agriculture today. While agriculture has become more segmented and specialized, most analyses of gross sales statistics have failed to distinguish between the differing, and often value-adding levels of production. Of course farms with higher levels of gross sales would appear to be more productive. Yet a closer examination shows many of those high-end operations are dependent on primary-level production constituting cow/calf, lambing, farrowing, or grain production. A simple indicator of the differences can be shown in cattle production. The average size cow/calf operation in the United States is 49 head. A medium-sized feedlot operation averages 10,000 head, yet depends upon the primary calf production as its source for feeder cattle. Without more precise indicators to measure the contribution of the primary level of production, an appreciation of the productive contributions of small farms is diminished.

When a gross sales statistic is used combining all agricultural sectors, it can generate the conclusion that large and super-large farms produce most of the food and fiber in this country, when, in fact, the most critical production occurs at the primary level. Conclusions and policies which focus on the large and super-large farms as an inevitable result of economic progress may be ignoring the small farm as the most vital component of all food production.

Many people consider a few, large farms an inevitable result of economic progress. For example, a Wall Street Journal writer recently expressed with a fair amount of conviction that "In fact, local dairies aren't necessary anymore. Megafarms are springing up in such places as New Mexico and Idaho that produce milk far more cheaply than the postcard pretty Vermont dairy farm. In addition, processors are experimenting with filters to remove the water from milk, which makes shipping it cross-country cheaper."<sup>14</sup>

The "get big or get out" policy drives of the past fail to recognize the real cost of this kind of "economic progress." This perspective does not consider the loss of market competition when production is concentrated in a monopoly market. It does not consider the cost of potential environmental consequences of concentrating a large number of animals in limited areas. It does not consider the risk to the security of our milk supply should disease or natural disaster strike these few megafarms. It does not consider the cost of increased use of fossil fuels to ship milk across the country. It does not consider the increase in bacteria when water is extracted. Contrary to popular belief, large

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<sup>14</sup> Kilman, Scott. "Inside the Byzantine World of Milk Prices." Wall Street Journal. November, 25, 1997.



farms do not produce agricultural products more efficiently than small farms, especially when real costs are taken into account.

Furthermore, the assumption that large farms are more efficient because of economies of scale was challenged by presenters at the Commission's public meetings. Statistical analysis conducted by Professor Willis L. Peterson from the University of Minnesota examined the factors that make up the Census of Agriculture statistical measure of economies of size. Peterson found that factors other than size influence the unit costs in agriculture. After accounting for the quality of land and farm management, subtracting the contribution of the farmhouse to farm output, and considering the effect of opportunity costs related to off-farm employment on farm output and production costs, Peterson asserts "that small family and part-time farms are at least as efficient as larger commercial operations. In fact, there is evidence of diseconomies of scale as farm size increases."<sup>15</sup>

*Small farms cannot exist in a vacuum as relics of days gone by preserved for the tourists or nostalgia for how most everyone's great grandparents lived. Small farms are a vital functioning part of a working landscape that includes Jeffersonian entrepreneurs of all kinds—locally owned grocery stores, garages, machinery dealerships and other businesses operating on a similar scale as the farmers they both serve and depend on.*

— Clark Hinsdale, Vermont

The "diseconomies of scale" extend beyond the farmgate to affecting the farming community. There is a substantial body of literature that suggests that large-scale agricultural production does not bode well for conditions in farming communities. University of California anthropologist Dean MacCannell wrote, "As farm size and absentee ownership increase, social conditions in the local community deteriorate. We have found depressed median family incomes, high levels of poverty, low education levels, social and economic inequality between ethnic groups, etc.... associated with land and capital concentration in agriculture.... Communities that are surrounded by farms that are larger than can be operated by a family unit have a bi-modal income distribution, with a few wealthy elites, a majority of poor laborers, and virtually no middle class. The absence of a middle class at the community level has a serious negative effect on both the quality and quantity of social and commercial service, public education, local governments, etc."<sup>16</sup>

### The public value of small farms

The Wall Street Journal writer did not consider the benefits that result from a large number of farms under a system of widespread ownership rather than concentration of our food supply in a few megafarms. Economic statistics speak only to the "product output" of farms by measures of crop and livestock sales and they likely underestimate the economic contributions of small farms stated earlier. These numbers do not reflect the social and environmental goods produced by a large number of small farms. Some of the public values generated by small farms include:

<sup>15</sup> Peterson, Willis L., "Are Large Farms More Efficient?" Staff Paper P97-2. University of Minnesota, Department of Applied Economics, January 1997.

<sup>16</sup> MacCannell, Dean. "Agribusiness and the Small Community," Background paper to Technology, Public Policy and the Changing Structure of American Agriculture, Office of Technology Assessment, U.S. Congress, Washington, DC. 1983.

- **Diversity:** Small farms embody a diversity of ownership, of cropping systems, of landscapes, of biological organization, culture and traditions. A varied farm structure contributes to a diversity of cropping systems and, therefore, to biological diversity. A large number of smaller farms contributes to a diverse and esthetically pleasing rural landscape and open space, particularly appreciated by urban people as well as rural neighbors. Connection to the land has always been central to the spiritual and cultural values of our country's indigenous people. Additionally, widespread ownership of land is an essential principle of our Nation's earliest public policies. And land ownership and farming provided a foundation for community and tradition for the new settlers and pioneers who often fled from oppressive regimes to seek greater opportunity in America.
- **Environmental benefits:** Approximately 60 percent of all farms are less than 180 acres in size, indicating that the majority of farmland is managed by a large number of small farm operators.<sup>17</sup> Responsible management of the natural resources of soil, water, and wildlife encompassed by these operations produces significant environmental benefits for society to enjoy. Therefore, investment in the viability of these operations will yield dividends in the stewardship of the Nation's natural resources.
- **Self-empowerment and community responsibility:** Decentralized land ownership produces more equitable economic opportunity for people in rural communities, as well as greater social capital. Owner-operated farm structures offer individual self-employment and business management opportunities. This can provide a greater sense of personal responsibility and feeling of control over one's life, characteristics that are not as readily available to factory line workers. Land owners who rely on local businesses and services for their needs are more likely to have a stake in the well-being of the community and the well-being of its citizens. In turn, local land owners are more likely to be held accountable for any negative actions that harm the community.
- **Places for families:** Farms, particularly family farms, can be nurturing places for children to grow up and acquire the values of responsibility and hard work. The skills of farming are passed from one generation to another under family ownership structures. When farm children do not return to farming because of their desire for more financially secure careers, a generation of farming knowledge, skills, and experience is lost.

<sup>17</sup> 1995 Farm Costs and Returns Survey. USDA Economic Research Service.



- **Personal connection to food:** With less than 2 percent of the Nation's population engaged in farming, most consumers have little connection to agriculture and food production. As a consequence, they have little connection with nature, except as a place for recreation, and lack an appreciation for farming as cultivation of the earth for the production of food that sustains us. Through farmers markets, Community Supported Agriculture, and direct marketing strategies of small farmers, people are beginning to connect with the people growing their food. Consumers are developing meaningful, direct relationships with farmers and a connection with food as a product of a farmer's cooperation with nature.
- **Economic foundations:** In some States and regions of the country, dispersed farm operations are key to economic vitality. Historically, decline in U.S. farm numbers were more than offset by increases in productivity and output. However, this does not appear to be the case in places like Wisconsin, a State whose farm economy has been characterized by a large number of moderate-sized family-operated dairy farms. Since 1988, total volume of milk produced in the State has dropped and the real value of gross sales has also decreased. The loss of dairy farms in this case has meant a loss to the State's economic output.

*Our elders say that money is just money for it is the land and water that will house, feed, and nourish the Hopi people in the distant future. It is the land that will remain to remind the children about traditions, beliefs, customs and life ways. It is this land that we will call home.*

— Michael Elmer, Hopi Tribe

### Why are small farms at risk?

As with most major industries, ownership and control over agricultural assets are increasingly concentrated in fewer and fewer hands. Concentration translates into the loss of open and competitive markets at the local level. Farmers operate in a market made of many sellers and few buyers. Farmers have little to no control over setting the price for their products. The basic tenets of a "competitive" market are less and less evident in crop and livestock markets today.

The recent passage of the 1996 FAIR Act is a watershed event in the history of Federal farm policy. It signals the reduction and eventual elimination of government intervention in commodity markets as a means to provide income and price stability for the farming sector.

Finally and most importantly, technology and market changes have shifted economic opportunities off of farms and into the agricultural input and post-harvest sectors. As research was focused on developing technologies that use ever greater levels of capital to enable fewer people to produce the Nation's food, income and opportunities shifted from farms to the companies that produce and sell inputs to farmers. As farmers focused on producing undifferentiated raw commodities, food system profit and opportunities were shifted to the companies that process, package, and market food. Consequently, from 1910 to 1990 the share of the agricultural economy received by farmers dropped from 21 percent to 5 percent.<sup>18</sup>

<sup>18</sup> Smith, Stewart, "Farming: It's Declining in the U.S.," Choices, First Quarter 1992.



The combination of increased concentration among food processing companies, loss of competitive markets, and reduction of price stabilizing tools of government will place farmers in increasingly vulnerable situations. Farmers will find themselves with less and less control over their economic security.

### A Time to Act

It is with full recognition of this increased economic vulnerability that the National Commission on Small Farms conducted its work. The Civil Rights Action Team report established the rationale for the Commission by recommendation No. 36. In addition to racial discrimination, government policies and practices have discriminated against small farm operators and poor farmers. In some cases, such as commodity program policies, this discrimination was explicit. In other cases, the bias was less intentional and reflected simple ignorance of the specific needs of small farms. This problem was affirmed by the many hours and pages of testimony received by the Commission.

This report addresses both forms of bias. It recommends changes in policies, programs, and administrative management practices that explicitly disadvantage smaller farms. It also recommends changes that will give due recognition to the benefit of small farms to society.

In 1980, Secretary Bergland proposed a "Time to Choose" the future direction for our Nation's agriculture. The National Commission on Small Farms has outlined in the contents of this report, an opportunity for Congress and the USDA to act on these recommendations to improve the well-being of our Nation's small farms and support the contributions they make to our American society.

On more than one occasion, farmers who spoke at the public meetings referred to the Commission as "our last hope." A choice was made nearly 20 years ago to diminish the role and relevance of small farms in this country. It is with conviction and hope that the National Commission on Small Farms is asking Congress and the USDA to *act on the needs of America's small farmers.*

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