



A DISCUSSION OF ISSUES AND PROGRAMS AFFECTING FAMILY FARMS

Introduction to the Forum

The Family Farm Forum enhances discussion on important topics affecting family farms, sharing information among a broad audience to increase the impact of CSREES programs, identify research, education and extension opportunities, and generate more, good quality, submissions to competitively funded programs.

The Forum takes place twice a year and consists of a newsletter (Update) describing research and outreach on an important topic, followed by a Web-conference promoting discussion among agency partners, colleges and Universities, farmers, ranchers, community based organizations and other interested stakeholders.

Updates and webinar transcripts of the first two forums—"Farm Transitions" and "Local Food Systems" are posted on the [CSREES Website](#).

Entrepreneurship and Family Farms

"Entrepreneurship" has a wide range of meanings. Wikipedia defines it as the practice of starting new organizations or revitalizing mature organizations, particularly new businesses generally in response to identified opportunities. This definition seems to use the term "entrepreneur" and "small business owner"

Entrepreneurship was selected by attendees at the second webinar as the topic of this third Forum. This Update highlights some of the main issues and successful projects related to entrepreneurship and family farms. We invite you to participate in a more thorough discussion in the Webinar at 2 pm (Eastern) on May 11th (more information: 202-720-2635)

We hope the Forum becomes an important communication tool for enhancing the sustainability of family farms. Please send any feedback and suggestions to [Suresh Sureshwaran](#), CSREES National Program Leader 202-720-2536 or [Patricia McAleer](#) CSREES program Specialist, 202-720-2635.

simultaneously. For example, in a widely cited presentation, Peter Korsching only included farmers who operate a business in addition to their farming operation in his analysis of "Farm Entrepreneurs". The 2003 Farm and Rural Life Poll found that 21 per cent of farmers operated a business in addition to their

The Mission of the Cooperative State Research, Education, and Extension Service (CSREES) is to advance knowledge for agriculture, the environment, human health and well-being, and communities. To accomplish its mission, CSREES works with Land-grant and other colleges and Universities, non-governmental organizations, small business and others, providing national program leadership and Federal assistance.

Entrepreneurship and Family Farms continued

farming operation. Approximately two-thirds were men. Most had some college education. As these farm entrepreneurs were small business owners, most of the problems they encountered were similar to those faced by non-farm entrepreneurs, i.e. securing financing, finding skilled employees, obtaining managerial and technical assistance, and identifying suppliers and markets. Similarly, the potential source of assistance for these businesses included local universities and community colleges, Small Business Development Centers, and community based organizations.

Another extreme definition of an entrepreneur is anyone who wants to work for him or herself. This will include most family farmers as they work for themselves. However, for the purpose of this Forum and for identifying methods to enhance returns on resources used on farms, an alternative definition of entrepreneurship promoted by the Austrian School of Economics is suggested. They place emphasis on innovation and define an entrepreneur as the person responsible for combining various input factors in an innovative manner to generate value to the customer.

Therefore, a successful farm entrepreneur will develop new products, new production methods, new markets, and new forms of organization, such that the market value generated by this new combination of resources is greater than the market value these resources can generate elsewhere individually or in some other combination.

A review of definitions suggest the following important characteristics of a successful entrepreneur: pragmatic, innovative, organization builder, optimistic promoter, has enthusiastic vision, flexible, takes prudent risks by assessing costs and market/customer needs, decision maker, good communicator, etc. Successful entrepreneurs also have or have access to expertise in marketing, financing, business development, and in their technical areas. Farm entrepreneurs may need different skills to be successful because of the nature of their business and other socio-economic differences. The purpose of the Forum is to identify and share information about successful farm entrepreneurship programs around the country and identify gaps that need to be addressed in the future.

Managing Money in Tough Times



Stress, debt, and living on the edge are hallmarks of the current times. Few families are exempt, including those who count on small farm operations to meet day-to-day expenses and build

lifetime financial security.

- ◇ Almost half of Americans say that they are increasingly stressed about their ability to provide for their family's basic needs.

- ◇ Seven in 10 US households report using credit cards as a safety net to pay for car repairs, basic living expenses, and medical costs.
- ◇ Four in 10 US workers often or always live from paycheck to paycheck.
- ◇ Though personal savings is up, now around 4 percent of disposable income, this may be a consequence of fear rather than an indication of new habits.

Managing Money in Tough Times continued

How can farm families, many of whom are juggling financial concerns about their small business, off-farm employment, and household needs, manage in these tough times? One way is to plan and take financial action based on reliable, trustworthy, and research-based information provided by Cooperative Extension experts through www.extension.org/financial_crisis. Here farm families will find learning tools, targeted resources, a frequently asked questions database, opportunity to engage in online chats, and more. One section is particularly targeted for farm families.

Coming on line later this year is a new learning tool on investing for farm families, funded by the FINRA Investor Education Foundation. An Ask-an-Expert function provides answers in at least 48 hours by personal finance Extension experts. (One-on-one advice is not the role of Extension educators.) Recent questions tackle topics such as retirement savings, medical debt, and how the economy affects a teenager's life. Farm families

also can go to the Extension office nearest them to find out about local seminars, workshops, and educational resources.

Both online and community-based Extension programs help farm families gain the knowledge, skills, and motivation to:

- ◇ Spend less than earnings
- ◇ Avoid excess debt
- ◇ Improve credit worthiness
- ◇ Plan for tomorrow while keeping pace with day-to-day needs
- ◇ Save and invest regularly
- ◇ Protect financial identity

Taking financial action, based on sound information, can help farm families weather the current economic storm and position for better days ahead.

*For more information contact [Dr. Jane Schuchardt](#)
CSREES National Program Leader*

Farm Broadband Use - What, Where, and Why

Internet use has grown rapidly since the 1990s, with the Internet becoming embedded in the world, national, and rural economies. By 2003, on-line wholesale trade was estimated to have reached \$386 billion, or approximately 13 percent of all U.S. wholesale trade. On-line wholesale trade in farm products was estimated to be \$3.7 billion, or approximately 3 percent of all wholesale farm product sales.

Farm business Internet use has become more prevalent, but use is neither universal nor uniform. Approximately 56 percent of farms had Internet access in 2004. In comparison, 69 percent of sole proprietorship non-farm

businesses had Internet access in the same year. Access to the Internet, however, does not necessarily mean the Internet is used as a management tool. In 2005 nearly 30 percent of farms, approximately 600 thousand farms, used the Internet as an integral part of the farm operation. In 2000, 24 percent of farms had used it as a management tool. The larger the farm operation, or the higher its sales, the more likely the Internet is used as a management tool.

Farmers use the Internet to gather information on the weather and market conditions for crops.



Farm Broadband Use - What, Where, and Why continued

They use it to acquire information from farm cooperatives and the U.S. Department of Agriculture as well as read such trade publications as the Farm Journal. Farmers use the Internet to work with their extension agents, apply for loans, and participate in various USDA-managed farm programs. Farmers also participate in on-line cattle auctions and make other farm sales and purchases through the Internet.

Broadband Internet access has become viewed by many as necessary to fully utilize the potential from the Internet. As the Internet economy has evolved, more and more applications have required higher data transmission rates for their use. Farmers have adjusted to this; Internet-using farms

increased their broadband access from 26 percent in 2005 to 48 percent in 2007.

Broadband Internet access, however, has not been available to everyone. Government policies that encourage deployment of broadband services have, however, increased availability. The 2008 Farm Act (Food, Conservation, and Energy Act of 2008) reauthorized USDA's telemedicine and distance learning and rural broadband access grant and loan programs. The American Recovery and Reinvestment Act of 2009 provided \$2.5 billion to USDA for loans and grants to increase broadband provision in rural areas.

*For more information contact:
[Peter Stenberg](#), Economic Research Service*

Entrepreneurship and Survival Through Hard Times

When it comes to surviving tough times, the most important tools may lie in a few simple strategies:

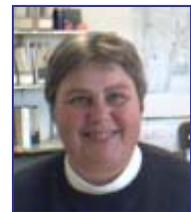
- ◇ Sound communication within the farm family
- ◇ Planning & goal-setting
- ◇ Pricing your product with an eye to profit

Sustaining a family farm requires hard work. When the key people involved lack a shared vision the challenge becomes even more difficult. And when the affected parties are family members, the need for positive communication practices reaches a critical stage.

Every family member who stands to benefit from the success of the farm should be involved in developing a shared vision for the business. After the vision is developed this group should meet at least once a year to review the farm's progress toward that vision.

Every business needs a plan and the family farm is no exception.

The plan needs to be written down so that every member of the team can identify their role in the business operations. In



the plan you will be required to get very specific about what your product is, who your customer is, and what characteristics of your business sets you apart from your competition. Setting goals is an important part of operating a business.

A critical business skill is the ability to calculate costs and assess pricing strategies. Small farms might think this is too much trouble. If you belong to a marketing coop you might think that the coop will take care of your pricing. These are costly mistakes! At the individual farm level there are no two farms that will have exactly the same costs of

Entrepreneurship and Survival Through Hard Times continued

production. Understanding your costs is key to profitability. You must be responsible for knowing what it costs your farm to produce a unit of product. Only when you have that information can you begin to consider what your options are if that price is not being met.

Calculating your cost of production is not difficult but it does require good recordkeeping practices.

For more information contact [Mary Peabody](#)
University of Vermont Extension Specialist

Farm Clusters, Innovation and Entrepreneurship



The fact that there is strength in numbers is well-known. This strength is clearly evident in the case of farmer cooperatives, but it also applies in the case of so-called industry

clusters. Clusters are formal or informal groupings of businesses, including family farms, within an industry that both compete and cooperate with one another. They are bound together because they are located in the same area and have in common some important feature. This common feature could be the type of commodity produced (e.g., grapes, vegetables, pastured beef), production practices (e.g., organics), gender or ethnicity.

Clustering is important because it allows the group to achieve what any one individual alone cannot. In fact, many if not all of the issues facing family farms that were raised in the October 2008 issue of the *Family Farm Forum* newsletter can be tackled effectively by clusters. This includes more favorable conditions in input markets and better or more stable access to output markets and the sharing of services such as logistics, grading and distribution within the

value chain. Or, family farmers may more successfully break into wholesale markets by pooling and jointly transporting their products. Wholesalers often cannot afford to interact with individual farmers because of high transactions costs (and vice versa), but they can work with a group of farmers. Through clusters that provide the function of bulking products, family farmers may also directly approach new markets (institutions such as schools, hospitals and colleges) that they formerly could not supply because they lacked sufficient quantities of output. With greater access to markets, family farmers may have more leeway to flex their entrepreneurial muscles in developing and testing new products.

Evidence suggests that those clusters which more effectively manage to walk the fine line between cooperation and competition among their members are also more successful. For example, family farmers in a cluster may compete with one another to deliver the best farm product, but they may also cooperate by sharing ideas (even serendipitously) and giving one another feedback and advice on different production practices – that is, on new entrepreneurial endeavors. In this

Farm Clusters, Innovation and Entrepreneurship continued

context, they learn from one another, and this learning is essential for innovation and growth to occur*.

Clusters often formalize or at least facilitate and encourage learning among their members. For example, cluster leaders may bring farmers together during the winter to share experiences. Research in a number of different industries suggests that social networks can be essential for cluster and individual business success. And, more importantly, those individuals who have the strongest networks and the largest number of contacts within the network or cluster, also tend to be more successful.

It is clear that population or business density is essential for innovation to occur. For example, the critical mass of IT firms in Silicon Valley explains that region's phenomenal economic success. Clusters and networks can create the density of economic activity in rural areas that is required for innovation and entrepreneurship to flourish among family farms.

*for more information contact Dr. [Stephan Goetz](#),
Northeast Regional Center for Rural Development and
Pennsylvania State University*

** Work on farm clusters is supported in part by a grant from
Agricultural Prosperity for Small and Medium-sized Farms,
Agriculture Food and Research Initiative*

Purdue University Agricultural Innovation and Commercial Center and New Ventures Team



In 2002, Purdue University Cooperative Extension Service created the New Ventures Team consisting of county educators and campus specialists from a variety of disciplines to help people evaluate and develop business ventures. The New Ventures Team began developing a critical mass of educational materials and tools essential to cultivating successful entrepreneurial ventures. The Team was successful in obtaining a \$1 million grant for one of the ten national innovation centers from the USDA-Rural Development Program to conduct applied research, develop decision support tools, and disseminate those tools through the New Ventures Team. This funding led to the formation of the Agricultural Innovation and Commercialization Center (AICC).

The outreach strategy for the AICC/New Ventures Team program is multi-faceted. Anyone wishing to start or expand a business can obtain assistance in several ways. The team provides individual consultations with farmers interested in starting or expanding their businesses. The team has conducted various workshops either on-site or through a videoconference network. Topics covered in various workshops include: business planning, grant writing, new business evaluation, food entrepreneurship, agri-tourism, and targeted sales and marketing. A branded set of publications offers introductory lessons in business development and evaluation. A compilation of AICC/New Ventures Team publications, web materials, and workshops can be found at www.agecon.purdue.edu/newventures.

AICC offers a free web-based business planning tool called [INVenture](#). INVenture is a business

Purdue Agricultural Innovation and Commercial Center and New Ventures Team continued

planning and self-assessment tool that guides users through a six stage business planning process. Research shows that the process of writing a business plan increases the likelihood of a business actually starting up by 24% for Indiana entrepreneurs. Since its inception, over 5000 users have registered to use INVenture. INVenture also gives county Extension Educator a tool to use when working with local

entrepreneurs as they are creating business plans. It is useful for both new value-added businesses preparing to start up and existing businesses thinking of expanding.

*For more information contact [Dr. Maria I. Marshall](#)
The New Ventures Team, Purdue University*

Committed to the future of rural communities Programs supporting entrepreneurship development

Increasing economic opportunity and improving the quality of life for people in rural America is the goal of USDA Rural Development. USDA believes rural Americans deserve the same services enjoyed by people in suburban and urban areas while retaining the advantages of rural living.

USDA creates jobs and stimulates economic development by funding the growth and creation of rural business and cooperatives. Program assistance is provided through direct or guaranteed loans, grants, technical assistance, cooperative agreements, research and educational materials.

Through its business and cooperative programs, USDA Rural Development provides funds to start or expand business in rural areas, often in partnership with private-sector lenders.

The *Business and Industry Guaranteed Loan* program provides financial backing to rural businesses. Borrowers work with a local lending agency,

which in turn seeks a guarantee from USDA Rural Development. Assistance is available to virtually any legally organized entity.

A *Renewable Energy and Energy Efficiency Improvement Grants and Loan* program provides grants and loan guarantees to eligible farmers, ranchers, and rural small businesses to assist in developing renewable energy systems to make energy efficiency improvements. Examples include: biofuels, wind, solar, geothermal, and hydrogen-based projects.

The *Value-Added Producer Grant* program is a competitive matching grant programs that can fund feasibility studies and marketing plans, and working capital expenses for processing and marketing value-added agricultural products. Farmers and ranchers can reap greater rewards when they add value by further processing commodities themselves. Examples include wheat growers making their own pizza crusts, or corn growers processing their crop into biodiesel or ethanol.

Committed to the future of rural communities continued

Other programs focus on the expansion of knowledge (or intellectual capital) for sustainable business development and cooperatives. These include educational information, research and technical assistance provided by program staff and partners funded through USDA Rural Development.

The [*Agricultural Marketing Resource Center*](#) is an electronic, national resource for producers interested in value-added agriculture. Accessed via the internet one can browse commodities and products, investigate market and industry trends, study business creation and operation, read research results and locate value-added resources.

ATTRA - National Sustainable Agriculture Information Service is managed by the National Center for Appropriate Technology and is funded under a cooperative agreement with the United States Department of Agriculture's Rural Business-Cooperative Service. It provides information and other technical assistance to farmers, ranchers, Extension agents, educators, and others involved in sustainable agriculture in the United States. (ATTRA was formerly known as the "Appropriate Technology Transfer for Rural Areas" project.)

The *Rural Business Entrepreneurship Development Initiative*, a partnership between USDA Rural Development and 1890 Land-Grant Universities, encourages these Land-Grant Institutions to establish and promote business entrepreneurship as a viable occupational alternative for students in all academic disciplines. It is also designed to promote entrepreneurial practices with cooperatives and other businesses located in

underserved communities through use of technical assistance, information and technology, research and development planning, and expanding global and international market relationships.

USDA Rural Development also provides a wide range of assistance for people interested in forming a new cooperative. This help can range from an initial feasibility study to the creation and implementation of a business plan. Staff includes cooperative development specialists from USDA Rural Development or from regional cooperative development centers partially funded through the *Rural Cooperative Development Grant* program.

USDA Rural Development maintains a storehouse of information about cooperatives which it makes available to the public through more than 150 research reports, educational publications and videos which cover all aspects of cooperative operations. A bi-monthly magazine, *Rural Cooperatives*, reports significant achievements by cooperatives, the most advanced think of cooperative leaders, and highlights agency research, technical assistance, and educational activities.

To learn more about any USDA Rural Development program, visit our web site: <http://www.rurdev.usda.gov>. Rural Development administers 50-plus programs through nearly 450 offices across rural America.

*more information: [John H. Wells, Ph.D.](#)
Director, Cooperative Development
USDA Rural Development*

Maximizing Income from Spanish Goats



Oklahoma farmer Claud Evans, who raises 60 to 150 Spanish goats on 240 acres of pasture and hay, closely monitors everything on his farm, from how the grass grows to how the goat hair grows. And one simple innovation—a comb that he devised—has revolutionized his cashmere harvest, allowing him to gather many times more than with shearing. Evans had some near disasters when he started raising goats in the mid-1990s, but his research-based approach and inventiveness helped him develop new best practices – and his operation thrives today.

In his first year, many of Evans’ goats died from exposure because he sheared them too early. So Evans, a full-time veterinarian, collected hair growth data from his herd to discover exactly how much hair they grew and when. He used the results to better time shearing and, during selective breeding, to improve the consistency, length and yield of cashmere fiber from his herd.

Then in 1998, Evans received a grant from the USDA’s Sustainable Agriculture Research and Education program to conduct a three-year study exploring which combing and shearing

techniques led to optimal cashmere yield. Evans’ research—guided by Langston University and Oklahoma State University Extension— demonstrated that his long-tooth comb more efficiently extracted high-value cashmere fiber without disturbing the goats’ coarse outer hairs. The combed fleece generally yields 90 percent cashmere, compared to about 20 percent from sheared fleece.

Evans field-tested and time- and cost-saving practices also include developing his herd through selective breeding, and learning over time how to maintain the good health of his animals. He rotationally grazes his goats and carefully monitors the pastures each season to ensure that protein availability remains high while parasite pressure stays low, which saves him feed and de-worming costs. When faced with unexpected challenges from the weather, market conditions and other sources, Evans has the flexibility to adapt because of the knowledge he has gained over the years.

“Saying ‘I can’t’ just is not an option as you approach and face the challenges of life. You’ve got to figure out ways to make things happen,” Evans says.

More information: email [Claud Evans](mailto:ClaudEvans)

Research and Outreach on Entrepreneurship

CSREES has several programs with potential to enhance farm entrepreneurship. Some of the projects are briefly described below as examples for potential grant applicants and as information for others interested in the project results.

The Outreach and Assistance for Socially Disadvantaged Farmers and Ranchers (OASDFR) funded a project at Alabama A&M University that targets socially disadvantaged individuals who operate small farms, often with limited resources. The audience includes youths, women, African Americans, American Indians, Hispanic Americans, small, limited resource and other socially disadvantaged farmers and ranchers in underserved communities in Alabama. The educational and community outreach activities detailed in this project will prepare producers to be able to identify the various farm and business management tools or strategies available, know where to obtain such tools, understand how each tool operates, and be able to select the strategies that best meet their needs. For more information about the project contact [Duncan Chembezi](#). For more information about the OASDFR program visit <http://www.csrees.usda.gov/funding/outreach/outreach.html>.

The AFRI Agricultural Prosperity for Small and Medium-Sized Farms Program awarded a grant to Pennsylvania State University to study and enhance the factors that affect farm women's success as sustainable farmers. The two indicators of sustainability that they used in the study are

innovative entrepreneurship and environmental sustainability of the farm operation. Results were used to enhance their outreach and extension programs in the state. For more information about the project contact [Carolyn Sachs](#). For more information about the program visit: <http://www.csrees.usda.gov/fo/smallandmediumsizedfarmsafri.cfm>

CSREES also administers several non-competitive grants, such as Federal Administration Extension and Research grants that can help farm entrepreneurship. One of these is the Entrepreneurial Alternatives grant provided to Pennsylvania State University. The primary objective of this program is to increase small farm profitability by improving their business management, marketing, and production practices. For more information about this project contact [Jeffery Hyde](#).

Another example is the training and assistance programs on entrepreneurship offered by the four regional Centers for Rural Development. For example the Northeast Regional Center for Rural Development organizes and sponsors multi-disciplinary and multi-state educational efforts in entrepreneurship. For more information about this Center contact [Stephan Goetz](#) and about all the Centers, [Sally Maggard](#).

CSREES Competitive Funding Opportunities Relevant to Entrepreneurship and Family Farms ¹

CSREES manages several funding programs that focus on issues - such as entrepreneurship - that are relevant to family farming and ranching operations:

The Agricultural & Food Research Initiative's (AFRI) [Agricultural Prosperity for Small and Medium-Sized Farms](#) investigates how economic and environmental interactions affect the competitiveness, efficiency, and long-term viability of small and medium-sized farms and ranches. Successful proposals include social, biological, and other disciplinary approaches, combining at least 2 of the 3 components of the agricultural knowledge system (research, education, and extension) to transfer new technology and knowledge into practical applications for adoption.

The AFRI [Agribusiness Markets and Trade program](#) provides knowledge to enhance economic efficiency and equity in US agribusiness, supports research that builds international market opportunities; and provides economic analysis to assist with new product development and insertion in the value chain

[Sustainable Agriculture Research and Education](#) promotes profitable farming systems that are environmentally sound and enhance the quality of life for farm families and their communities. Administered through four regions, the program provides competitive grants to researchers, agricultural educators, farmers, ranchers, and students.

[Agricultural Risk Management Education](#) offers competitive funding opportunities to develop agricultural risk management curricula and deliver these to producers and their families. The five general risk categories associated with farm and ranch businesses are production, price or

market, financial or income, legal, and human resource risks. regional centers administer the funding opportunities annually with input from producers and other stakeholders knowledgeable in agricultural risk management.

[Small Business Innovation Research](#) offers grants to small businesses, including small and medium-sized farms, to support high quality, innovative research related to important scientific problems and opportunities in agriculture that could lead to significant public benefit if successfully commercialized. In particular, the Marketing and Trade topic area supports innovative marketing strategies to increase sales of agricultural, forestry and aquaculture products

The primary purpose of the [Outreach and Assistance for Socially Disadvantaged Farmers and Ranchers Program](#) is to deliver outreach and technical assistance, to assure opportunities for socially disadvantaged farmers and ranchers to successfully acquire, own, operate, and retain farms and ranches; and assure equitable participation in the full range of USDA programs. Projects are funded from \$100,000-\$300,000 and from 1 to 3 years. Approximately 30-40 percent of the submitted proposals have received awards during the program's history. In FY 09, approximately \$14.3 million was available in funding.

[Community Food Projects](#) promotes self-sufficiency and food security in low-income communities through projects that unite the entire food system, assess strengths, establishing linkages, and create systems that improve self-reliance over food needs, while Training and Technical Assistance projects help successful applicants carry out and evaluate their projects

¹ The [CSREES website](#) provides complete information on these programs; discuss specific requirements with program directors

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