



## 2007 Farm Bill Policy Recommendation

### **Revitalize Agricultural Communities: Support Community Planning, Invest in Infrastructure and Promote Local Ownership Opportunities**

#### **Recommendation**

Strengthen local food security and infrastructure through a matching grants program for states and communities to help them plan for agricultural economic development, food security and/or local and regional food processing and agricultural infrastructure. Follow up with a combination of grants and subsidized loans to assist with regional agriculture development. Also, encourage equity investments in agricultural areas to expand value-added agricultural enterprises and strengthen revolving loan programs to develop new products. In addition, support new cooperative organizing models to help small- and mid-sized producers compete and capture a larger portion of value-added processing.

#### **Rationale**

From large metropolitan areas on the East and West coasts to small rural communities in the South and Midwest, local governments are struggling to address issues related to community food security, loss of farmland to poorly planned development, a shortage of young farmers to replace retiring ones, and inadequate infrastructure to process and market products closer to where people live. Increasingly, local officials talk about food security in the context of homeland security and are making efforts to reconnect local agriculture to regional population centers and improve citizen access to healthful food.

Communities also face new challenges as the face of farming changes in America. With off-farm income now representing 89 percent of total farm family income, the next farm bill must do more both to foster agriculturally compatible business development and provide additional employment and investment opportunities for farmers and ranchers. Investing in infrastructure that supports short-distance supply chains and regional differentiated and value-added markets will help producers capture more of the retail dollar. Also, promoting individual investment and rural access to capital can build local wealth that is re-invested in local communities.

#### **Mechanics**

Authorize and fund a federal matching grants program to help rural and urban communities plan proactively for agriculture and community food security:

State and local governments would be eligible for this competitive grants program and required to provide a one-to-one match. Grants could be used to develop needs assessments, strategic plans or feasibility studies related to one or more of the following:

- (1) farm and ranch land retention and transition;
- (2) agricultural economic development;
- (3) local or regional infrastructure that supports agriculture; and
- (4) food security and access.

This new program would spur local and state governments to plan for the future



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of their farms and agricultural businesses as well as the land base on which those industries depend and the food needs of residents and regional food security. This planning for agriculture proposal also is outlined in the “Foundation” section of AFT’s *Agenda 2007: A New Framework and Direction for U.S. Farm Policy*, which acknowledges the strong need to link the protection of the land base with economic development opportunities that support farming.

### Provide grants and/or subsidized loans to develop or improve physical infrastructure that supports agriculture:

This recommendation, envisioned as either a new program or as modifications to current USDA rural development programs, would provide competitive grants and/or subsidized loans to foster regional infrastructure development that encourages new and dispersed agricultural marketing and distribution channels. Eligible applicants could include states, local governments, agricultural cooperatives, limited liability corporations (LLCs), economic development corporations and not-for-profit organizations in both metropolitan areas and rural communities. Funds could be awarded through a ranking system that weighs a number of factors, including the amount of private equity involved; local and state support; service to beginning and socially disadvantaged farmers and ranchers; and expected benefit to the local or regional food system.

### Encourage Equity Investments and a Wider Range of Financial Products and Services in Rural Areas:

To accomplish this goal, we recommend several strategies, including:

- Continue the Rural Business Investment Program, which authorizes the license of Rural Business Investment Companies (RBICs) to leverage private capital funds with government financial assistance, with modifications;
- Provide Farm Credit System institutions with greater flexibility to serve emerging rural entrepreneurs, bio-based businesses, agriculture and the infrastructure they need to succeed, and authorize CoBank to finance hybrid cooperatives that do not meet the current eligibility requirements; and
- Provide support to rural entrepreneurs and micro-enterprises. Micro-enterprises are often incubators of innovative new products and services, but lack both technical assistance and access to capital. This type of support potentially could be provided through a new program, as was suggested in the Senate version of the 2002 Farm Bill, or through existing Rural Development or Small Business Administration programs.

### Determine if the Federal Government Should Create a Revolving Loan Program to Develop New Products:

Currently, USDA’s Small Business Innovation Research Program (SBIR) offers grants to small businesses for feasibility studies and product research and development. Value Added Producer Grants then could be used for marketing value added agricultural products. Most states offer special loan financing for agricultural uses, and several offer special bond finance programs for agricultural processing and other agricultural resources. We recommend commissioning a study to analyze current federal and state



grants and loans for new product development and to suggest ways to coordinate, improve and, if necessary, expand these efforts.

Support Producer Investment and Ownership Opportunities:

For all-sized farm operations, but especially for mid-sized family-owned farms and ranches, future profitability hinges in large part on their ability to create new cooperative and business models that give them greater ability to compete in the marketplace and capture a larger percent of the proceeds. Toward this end, we recommend providing funds on a competitive basis to:

- Develop more comprehensive, regionally appropriate and ecologically sound agricultural production systems;
- Create new market structures and business models, with an emphasis on mid-sized farms, that create and retain greater value in the farm and rural community sectors, increase the viability of local and regionally-based food processing and distribution enterprises, and foster producer ownership and investment; and
- Explore policy alternatives that support these new marketing and production systems.

The results of this research could be used to help communities plan for agriculture and guide renewable energy and regional infrastructure development funding.