CHOICES
The magazine of food, farm and resource issues
Third Quarter 2003
A publication of the American Agricultural Economics Association

Sustainable Agriculture for Midsized Farms

by Hal Hamilton

How can sustainable agriculture gain greater traction, particularly for midrange farmers?

Although small farms, particularly those around metropolitan regions, are enjoying resurgence in recent years, the midrange of agriculture is stuck in conventional commodity production. These midrange farms are usually too big to market products directly to consumers and too small to compete in commodity markets.

In commodity production, only the lowest-cost, highest-volume producers survive. In this competitive environment, decisions to farm more land or adopt the newest technologies are rational on an individual scale, but collectively they lead to increased total production, lower prices, and lower profits. Commodity systems driven by growth, technology adoption, and concentration create the abundance we enjoy at the cost of environmental and social externalities, including a chronic financial squeeze on producers and rural communities.

Although farmers are rarely motivated by only economic goals, our market system rewards only financial performance. Farmers who avoid either monoculture cropping or industrial livestock production and instead rotate hay and pasture with corn and beans (for example) will produce neither corn nor beef as cheaply as their competitors, and they will receive fewer subsidies. They will not be rewarded except at the annual Conservation District banquet.

What would it take to shift the incentives and beliefs that lock this system into place? What would it take to create food systems that meet our environmental and social goals as well as our economic ones?

Attempts to incorporate these multiple goals fall into three categories:

1. certified or regionally specific product identity;
2. government incentives and disincentives; and
3. collective agreements to balance production with demand.

Products that are certified local, green, organic, or with some other special quality are increasingly ubiquitous. Producing for these value chains is successful for farmers as long as there is sufficient demand and profitable returns. All of these value chains, however, are vulnerable to attracting new producers and technologies that outpace demand and lower prices.

Public policies can provide either disincentives for damaging practices or incentives for environmental or social benefit. Nitrogen or pesticide taxes, for example, can internalize the environmental costs of intensive farming. A wide variety of programs, including the Conservation Security Act, pay farmers for environmental benefits. The most robust form of payments for the "multiple functions" of agriculture is probably in Europe. For these payments to be sufficiently successful, incentives for producers to create social and environmental goods must outweigh the benefits of investment in productivity and scale.

All of these programs are subject to budget battles, however, and competitive pressures on farmers to maximize commodity volumes can also undermine the objectives of green payments. If prices continue to fall due to overproduction, green payments would need to grow and grow to keep farm incomes stable.

Collective agreements to limit production are one way to address these pressures. The Burley Tobacco program, for example, has sustained more small- and moderate-sized family farmers than has any other agricultural program in any other state in the US. When I was raising 3-4 acres of tobacco on my 155-acre dairy farm in Kentucky in the 1970s, I was making enough money from tobacco to take care of my mortgage and loan payments on the whole farm. I never got a subsidy check. The companies were required to pay a fair price, or they didn't get the tobacco. Tens of thousands of small farmers making a living meant that church and school events were always packed with people. There was a healthy, lively rural economy and social fabric. Because tobacco quotas were small, most of the farmland was planted in hay and pasture.

Some of my economist friends didn't like the tobacco program because they said it "retarded efficiency." They explained to me that tobacco-farming methods were antiquated, that more tobacco could be produced more cheaply if the production weren't required to be disbursed among so many "inefficient" little farms. They were right, of course, but when farm leaders talked to me about the importance of the program, the never talked solely about efficiency—they always talked about the really good farmers whose income from tobacco enabled them to be livestock and grass farmers, thereby stewarding the land. They also always talked about how many kids were sent to college with tobacco checks. This was a stark example to me of two different paradigms about economic systems. One considers financial efficiency primary and all other goals derivative. The other considers social and environmental goals as important as financial ones.

Some of the most interesting experiments weaving together these policies are in the specialty cheese and wine regions of Europe, where certified regional identity and stewardship incentives are combined with supply management collective agreements. When I have taken US farmers and extension specialists to French cheese-making regions, they have been universally impressed by farm prosperity, traditional landscapes, and community vitality.

What would it take for farmers, companies, and governments to create similar combinations of green incentives and supply management for basic foods like liquid milk or grains? The boundaries of the agreements would have to match the boundaries of production, of course, or these experiments would be overwhelmed by cheap competitors from the world market.

Matching the boundaries of production with the boundaries of these policies is not unprecedented, even for globally traded commodities. The International Coffee Agreement came close to just such a collective agreement on a multinational scale. New markets and specialty labels show how food systems can reward stewardship and community as well as productivity. In the February issue of *CHOICES*, Florence Jacquet reported on the possibility of "recoupling" of production support with the delivery of multiple functions.

Unfortunately, most farm leaders have given up on supply agreements, and most of the sustainable agriculture movement focuses on local direct marketing or green payment programs alone. There is a gap in analysis and activity, and the majority of family farmers and farming communities are in that gap.

There is also a gap in our imagination about who is part of the solution. Our social change movements tend toward polarization: "You're either part of the solution or part of the problem." Activists bash corporations because they are powerful and benefit from the current system.

If we are going to shift the whole system toward sustainability, which we *must* do, we need allies inside corporations. We need an understanding of these systems from every angle. Corporate managers, like farmers, are caught up in a very competitive environment and do what they need to do for success in that environment. We all have a stake in changing the competitive environment so that success requires meeting not only financial goals but also social and environmental ones.

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