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# Food and the Mid-Level Farm

## Renewing an Agriculture of the Middle

edited by Thomas A. Lyson, G. W. Stevenson, and  
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## Preface

The structure of agriculture in the United States is moving toward two relatively separate spheres: large, corporately coordinated, agricultural commodity production units; and dispersed, local, and smaller-scale farms relying on direct markets. The result is that midsize family-operated farming operations are finding it increasingly difficult to identify appropriate market outlets for their products. That is, midsize farms tend to produce volumes too large for direct markets, and cannot compete economically against the coordinated and corporate-dominated commodity systems that articulate with national and international marketing and distribution systems. In this sense, midsize farms and ranches are being squeezed out of agriculture through a mismatch with available markets. As Amy Guptill and Rick Welsh point out in this volume, “Rural sociologists and agricultural economists have traced the cost-price squeeze undermining U.S. agriculture to a production-marketing-processing system that maximizes the profit accruing to large agricultural corporations at the expense of producers. This system is increasingly dependent on contracting to maintain vertically integrated production chains.”

If current trends continue, the structure of U.S. agriculture will encompass a small number of immense corporate-linked or owned farms, and large numbers of small direct-market operations. The former system of production will produce the vast majority of the food most Americans will consume. It will do so by producing uniform raw materials that are differentiated in the processing and especially marketing stages. The direct-marketing sector composed of small to extremely small farms will take a different marketing approach with differentiation taking place at the point of production. These farms will produce small volumes of

many different species and varieties of animal and plant products with minimal processing and branding. Income for the vast majority of members of the small farm sector will originate from off-farm sources. In fact, the latest census of agriculture data shows that 90 percent of the income accruing to farms with less than \$250,000 in annual sales (98 percent of all farms) comes from off the farm.

It is our contention that such a starkly bipolar production and marketing structure will result in a hollowing out of many parts of the rural United States, and will have important consequences for the future social viability of agriculturally supported rural communities. Critical issues such as the maintenance of municipal tax bases, job creation, population growth, environmental quality, and ultimately rural community welfare are at stake. The decline of the agriculture of the middle will hit regions such as the Midwest particularly hard.

The most likely solutions to this problem are threefold: scale up the aspects of direct markets that attract consumers, such as knowing who produces one's food and how particular farming systems protect the environment; develop organizations and strategies for empowering midsize farmers and ranchers to access developing markets for high-quality food products differentiated by dimensions such as ownership arrangements, sustainable production system, regional location, and "fair" business relationships within a supply chain; and develop efficient and targeted public policies that directly address the challenges and opportunities associated with the agriculture of the middle. The chapters in this volume look at each of these issues.

*Food and the Mid-Level Farm: Renewing an Agriculture of the Middle* is designed to serve as an intellectual and conceptual framework for moving private business development, public policy, and other supportive activity forward to address agriculture of the middle issues. Toward that end, we have involved many important analysts and authors from a variety of disciplines including sociology, political science, and economics who have a long and productive history of working on farm-level food distribution and consumer issues.

This volume is part of a larger project that was inspired by research and outreach activities begun at the Leopold Center at Iowa State University in the 1990s. In the early 2000s, funding from the Kellogg Foundation's Food and Society initiative and the U.S. Department of

Agriculture's Sustainable Agriculture Research and Education Program enabled the Agriculture of the Middle project to go national in scope. As described on the Agriculture of the Middle Web site (<http://www.agofthemiddle.org>), the project "seeks to renew what is being called the agriculture of the middle. This term refers to a disappearing sector of mid-scale farms and related agrifood enterprises that are increasingly unable to successfully market bulk agricultural commodities or sell products directly to consumers."

### Narratives of Renewal

Participants in the national Agriculture of the Middle initiative are composed of activists, farmers, food industry leaders, government officials, and scholars representing a diversity of regional, cultural, organizational, and food system standpoints. For example, besides the editors of this volume and other academics, task force leadership includes farmer leaders such as Adrian Wadsworth of Maine, Stephen Walker of Arkansas, Bob Quinn of Montana, and Keith Mudd of Missouri. Other participants include Theresa Marquez from Organic Valley, a "new generation" cooperative based in Wisconsin.

A critical aspect of this collective effort is to work toward establishing organizations and relationships committed to, and capable of, changing the food system so that it works for midsize farms. Yet in order to accomplish this goal over the long term, the food system must also work for nonfarm actors within the food system such that potentially all can benefit and prosper from the production, processing, distribution, and consumption of food and other agricultural products. As Robert Handfield and E. Nichols Jr. put it in *Supply Chain Reaction* (see chapter 7, this volume), "The only solution that is stable over the long term is one in which every element in the supply chain, from raw material to end consumer, profits from the business. It is shortsighted for businesses to believe they can solve their . . . problems by punishing suppliers and customers."

A number of innovative organizations have emerged to serve as models for the restructuring of our food production and manufacturing system in order to address these issues. Two such organizations are Organic Valley/Cooperative Regions of Organic Producer Pools (CROPP) and

the Organic Farmers Agency for Relationship Marketing (OFARM; see chapter 4, this volume). Organic Valley/CROPP has an established track record of maintaining organic price premiums for family-owned organic farmers, paying interest to farmers on their equity investment, a shorter than average return on their equity investment, and protecting the environment through the promotion and expansion of organic farming practices. And OFARM was formed specifically to address the “conventionalization” of the organic industry in order to maintain a space for family farmers earning their livelihoods from farming. As two OFARM members explain in chapter 4,

On the conventional side we’ve seen what’s happened—low prices for farmers and a market controlled by the bigger buyers, like Cargill and the rest.

We want a fair and decent price for the grower, consistency in the market. We want to unite the organic community more than it is, so that they don’t become a product of the conventional market. We don’t want to conventionalize the organic market. We don’t want to let it be taken over by the big conglomerates where we’re slave labor out here. We want to maintain smaller farms.

Examples of nonorganic farmer-led organizations trying to maintain and expand a place in the food system for mid-level farms include Oregon Country Natural Beef. Its mission statement illustrates the need to create organizations committed to principles of farmer control, environmental protection, and more direct links with other parts of the food system. For example, “The co-op will be market driven and producer controlled from start to finish. It will make use of a livestock pool from diverse geographic areas, utilizing cattle that fit their environment, and sorting procedures that allow for more consistency on the rail. A consistent, high-quality product with expanded name brand recognition will respond to changing customer demand, and new product development will continue.”<sup>1</sup>

Another example is Yakima Chief Inc., a hop producing, processing, warehousing, and marketing company located in Washington State. Yakima Chief is interesting for its commitment to serving the brewing industry through a farmer-controlled organization and because it controls a significant percentage of the total hop acreage in the United States. The company exemplifies both the need and possibility of moving beyond niche marketing to establishing organizations that serve markets in a sustainable manner but on a large scale.

In addition to these innovative producer organizations, alternative retail outlets are being established that serve midsize producers. As G. W. Stevenson and Rich Pirog argue in this volume, groceries such as New Seasons Market in Portland, Oregon, operate to serve the diverse needs of “reflexive consumers” seeking satisfying, healthful, and responsibly produced food products. But its products “are sourced through agreements with regional producers where the price is based on what the producers need and what New Seasons Market can afford.”

The connecting thread of this volume is that creating an equitable, environmentally benign, prosperous, and satisfying food system will require purposeful policies, collective efforts, and cooperation of different types as well as among different social actors. It is fundamental to subordinate shorter-term self-interested strategies to longer-term shared goals and publicly oriented outcomes.

### **Plan of the Book**

In part I, “Agriculture of the Middle: Why Farm Structure Matters,” Fred Kirschenmann and colleagues explain the current trends in the structure of U.S. agriculture, and make the case for renewing the agriculture of the middle. Mike Duffy provides a companion piece (see the appendix) in which he uses data from the U.S. Census of Agriculture to document changes in the Agriculture of the Middle across a range of demographic, structural, and geographic categories. Kenneth A. Dahlberg analyzes the vulnerabilities of the concentrated pole of the emerging U.S. agricultural and food system.

Part II, “Organizational Structures That Could Support an Agriculture of the Middle,” makes the case for the role of collective bargaining and other collective measures such as coordinating marketing among organic midsize grain farms to enable midsize farms to better articulate with the corporate-dominated mass markets. The increases in contract production and its meaning for midsize agriculture are also analyzed. A key component of the arguments in this part is that farmer organizing, trust, and the realization of collective interest is critical for realizing a resurgence of the agriculture of the middle. For example, Thomas W. Gray and Stevenson posit that agricultural cooperatives, because they are democratically oriented business entities, can be an “organizational and mobilizing

instrument for realizing some of the agriculture of the middle goals.” Likewise, Guptill and Welsh assert that OFARM’s goal is not just to capture more value in the food chain but rather to participate in the governance of the industry; “and its key strength lies in the trust among participants that enables the flow of information [between them].” In this way, the negative outcomes attributed to contract production and coordination in agriculture by Mary Hendrickson and colleagues hopefully can be avoided.

In part III, “Bringing Mid-Level Supply Chains and Consumers Together,” the authors take on the task of envisioning how growing markets for significant volumes of high-quality, differentiated food products can provide a platform for regenerating an agriculture of the middle. Stevenson and Pirog provide the outlines for new, values-based food supply chains in which farmers and ranchers are treated as strategic partners, rather than interchangeable (and exploitable) input suppliers. In such value chains, farmer/rancher identities and brands are preserved, and business agreements are experienced as fair and for appropriate time frames. As Eileen Brady and Caitlin O’Brady point out in their chapter,

The consumers of this emerging market want to know more about where their food comes from. They want assurances that their food choices are healthy and safe. They want the story behind the product. They want accountability. Who produced the food they are eating? How was it grown? What’s the name of the farmer? The new farmer, rancher, or fisher must realize they are selling more than the product they are producing. They are building a new relationship—a relationship that requires participation and interest from the producer as well as the consumer. Producers must reach out and understand their consumers.

In the final part, “Policies That Could Support an Agriculture of the Middle,” a number of policy alternatives are critically examined. Daryll E. Ray and Harwood D. Schaffer contend that to preserve the middle of agriculture, we need to devise, among other interventions, an international supply management and price support program for the major crops. Thomas A. Lyson takes a different tact and offers an array of diverse approaches for embedding agricultural operations in rural communities to create a civic agriculture that nourishes small to moderate farms. And Shelly Grow and colleagues show that state laws can enable the formation of collective bargaining cooperatives, which can bring with them important marketing services as well as the ability to balance the power of processing firms in regard to the fairness of contracts. For



her part, while Sandra S. Batie agrees that green payment programs such as the Conservation Security Program (CSP) potentially offer benefits to midsize producers through payments for environmental services, she argues that such payments are not an efficient means to influence structural dimensions within agriculture. In a parallel fashion, Peter Carstensen examines the role and limits of antitrust policies to affect the types of changes needed to preserve midsize farms.

Given the renewed interest in preserving and strengthening an agriculture of the middle in the United States, the subject matter covered and the analytic frameworks employed are new and significant. Current volumes on agriculture, farm structure, and the food system have yet to address agriculture of the middle issues in any systematic fashion. We also believe that there is a tendency for many involved in topics related to the structure and sustainability of U.S. agriculture to accept the demise of midsize farms and ranches as either the natural functioning of economic markets, or a policy battle that cannot be won. We obviously disagree with such perspectives and resignation. In our view, it is time to refocus the attention of consumers and other participants in the food system on the midsize food production sector that has undergirded most of what we have valued about U.S. farming. Doing this can align powerful dynamics capable of altering the current trajectory within U.S. agriculture to the benefit of rural areas as well as consumers and citizens everywhere.

## **Note**

1. Available at <http://www.oregoncountrybeef.com> (accessed January 8, 2008).