

THE VALUE OF FAMILY FARMS & HOW TO SAVE THEM

Small and mid-sized family farm operations are **invaluable** to the continued prosperity of a thriving agricultural system. Family farmers have a vested interest in protecting their soil, water, and the long-term productivity of their land.

Rural and urban areas alike benefit from prosperous and productive small farms.

THE VALUE OF SMALLER FARMS

In rural communities, small farms are vital. When small-scale farmers earn more, they inject their incomes directly into the rural economy, creating growth and diversification. Almost every example of large-scale national poverty reduction was kick-started by rising incomes among small-scale farmers.¹

"I think a piece of it goes back to vibrant rural communities," said Anna Johnson, leader of the agricultural portfolio at the Center for Rural Affairs. **"As you lose the small to mid-sized farms, it drains some of the health out of rural communities** and that leads to a whole cycle of trouble that those communities then have to deal with -- you lose all these other institutions that keep the community going."²

Small-scale operations are vital for both conservation and creating strong economic drivers in rural communities. Small farms are also much more likely than large farms to grow a wide variety of crops, contributing to agro-biodiversity.¹

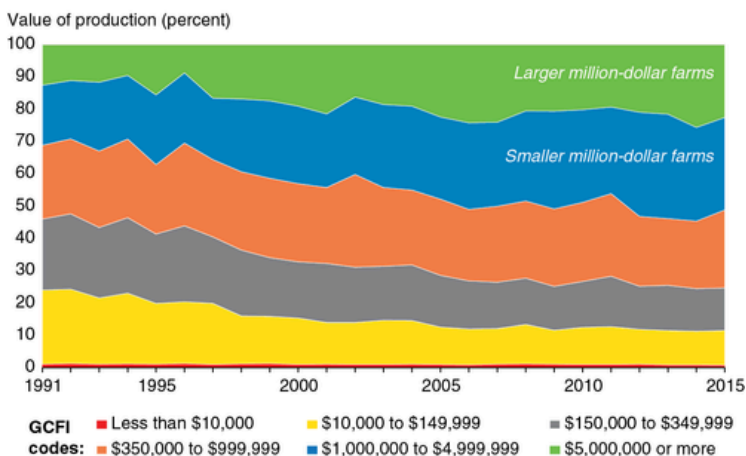
Factors like farm succession, the increasing average age of farmers, the cost of new technology, and the difficulty of competing in economies of scale have contributed to the decline of smaller farms.



As of 2022, USDA Ag Census data show that the United States currently has the **smallest number of farms since 1850**. From 2017-2022 Wisconsin lost **10%** of its farms and **30%** of dairy operations.³

Production has shifted to larger farms

Farms with at least \$1m in sales (2015 \$) had 48 percent of production in 2015, up from 31 percent in 1991



Note: GCFI = Gross cash farm income. GCFI is expressed in constant 2015 dollars using the Producer Price Index.
 Source: USDA, Economic Research Service and National Agricultural Statistics Service, 1996-2015 Agricultural Resource Management Survey and 1991-1995 Farm Costs and Returns Survey.

¹ <https://www.ifad.org/en/web/latest/-/blog/why-small-farms-are-key-to-the-future-of-food-and-how-we-can-support-them>

² <https://www.cfra.org/blog/speaking-small-farms-rural-america>

³ USDA, Census of Agriculture, 2022.

⁴ <https://www.grocery.coop/article/office-small-farms-establishment-act>

⁵ <https://www.kansascityfed.org/documents/766/2017Drivers%20of%20Consolidation%20and%20Structural%20Change%20in%20Production%20Agriculture.pdf>

⁶ https://www.ers.usda.gov/webdocs/publications/45387/53417_err189.Pdf?V=931.9

⁷ <https://www.vermontlaw.edu/sites/default/files/2022-07/Addressing-Consolidation-in-Agriculture.pdf>



UNITED TO GROW FAMILY AGRICULTURE

Learn more at www.wisconsinfarmersunion.com

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WHERE SMALLER FARMS WENT

ECONOMIES OF SCALE

Economies of scale allow for big farms to get bigger because, as farm output increases, costs decline.⁵ As a beef farmer's herd gets bigger, they have access to bulk pricing which lowers prices for costs like feed, medications, and processing. Economies of scale exist when costs declines as out-put expands. Larger farms continue to exploit economies of scale due to differences in technology use and access to higher selling prices and lower purchasing prices. Many large farms are already involved in at least one specialized crop or livestock enterprise, making it easier for them to explore other contract opportunities or strategic alliances. Due to economies of scale and lower withdrawals as a percentage of profit, larger farms have more retained earnings that can be used to reinvest and grow the farm business. Small to mid-sized farms often do not have enough excess funds to scale up their farm.

THE COST OF NEW TECHNOLOGY

While technological advances in agriculture, such as GMOs, antibiotics, chemical fertilizers, have driven increased production and enabled farms to produce larger yields, it has also contributed to the squeeze smaller-scale producers face in modern farming.⁶ There are high barriers to using advanced technology. The technology that's needed to keep up with an economically-viable scale of production requires sizable capital and large, fixed investments. Due to the substantial investments required, larger farms with more resources are more likely able to purchase new technology, leaving small to mid-sized farmers a step behind.⁷



LAND ACCESS & BEGINNING FARMERS

Farmland is expensive and beginning farmers are struggling to access it.⁸ Beginning and socially disadvantaged farmers may have fewer financial resources or face other constraints when buying or otherwise accessing land.⁹ Larger farms have two key advantages over beginning farmers.⁵ First, financial performance tends to be relatively higher for larger farms. Relatedly, larger farms tend to have better recordkeeping systems and are more likely to produce accrual financial statements. Second, larger farms retain higher earnings due to their relatively higher financial performance and lower operator withdrawals as a percentage of profit. Due to their enhanced ability to purchase machinery and equipment—and in many instances hire additional labor—larger farms are often better positioned to rent additional farmland. Larger farms also tend to have multiple operators and multiple generations, creating more of an incentive to expand the operation.

FARM SUCCESSION & AGING FARMERS

Over 63% of farmers in the 2022 Census of Agriculture were 55 years old or older.³ Research shows that nearly 300 million acres—or about a third of the country's agricultural land—will transition to new owners over the next twenty years as current farmers exit the field.⁸ Many people growing up on farms today haven't had the same positive experience as their parents, and don't intend to pursue a career in agriculture, impart due to the current financial hardships of the industry. Fewer farms are integrated into communities today, with fewer young people being exposed to agriculture, and many have never seen a farm in person. This is concerning. If kids aren't interested in taking over the family farm, this leads to farmers selling to the highest bidder at retirement, expanding the landownings of the largest operators in their area.



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WHAT CAN WE DO?

FEDERAL LEVEL

We must **empower women and youth** to unleash their potential. This includes protecting their right to land and assets and ensuring they have better access to markets, finance, and technology.¹ We also need to **invest in research and innovation** that benefit small-scale farmers. Research needs to be accompanied by technical advice, training and Information and Communication Technologies.

Small and mid-sized farmers need to be linked to relevant policy and planning processes, especially those related to food systems in both rural and urban areas. This would create opportunities for small-scale farmers to sell to people in urban areas and farmer involvement in food system planning would positively contribute to meeting food and nutrition needs in cities.¹ **Supply management** for grain crops and dairy needs to be reinstated. **Expand safety net coverage for specialty crops**. This would aid farmers in shifting to new production systems and operation diversification.

WFSU supports legislation like the **Office of Small Farms Establishment Act of 2023**.⁴ Introduced in June 2023, this bill would create a division within USDA focused on assessing the needs of small farms, evaluating the USDA's current ability to serve them, and recommending improvement to USDA policies, providing grants up to \$250,000, and operating an anonymous hotline for small farms to report challenges accessing USDA assistance.

Federal government programs have favored large farms, awarding the most support to the largest farms. A focus on small and mid-sized farms in government programs is needed. A recent pair of reports from the Economic Research Service (ERS) confirms that federal subsidies to farms are increasingly going to larger and larger farms, supporting the cycle of the big getting bigger.¹¹

⁸ <https://farmland.org/ushering-new-and-beginning-farmers-onto-agriculture-acreage-through-federal-land-access-policy-incentives/>

Since the 90's we have continued to see the household income of farmers that receive half of all commodity program payments more than double, from \$60,00 to over \$146,000. There are currently no qualification requirements or caps on benefits for crop insurance, making it possible for the top 1% of farms-by-sales to receive 20% of subsidies. To address the imbalance of benefits flowing to the largest farms, Congress must strengthen existing commodity program payment limits, review requirements, and implement subsidy caps for crop insurance, as part of the next farm bill. Without subsidy caps and requirement changes, federal commodity subsidies and crop insurance will continue to flow to the largest, wealthiest farms and contribute to consolidation in the agriculture industry.



⁹ <https://www.ers.usda.gov/webdocs/publications/105396/ap-096.pdf?v=7994.3>

¹⁰ <https://www.ers.usda.gov/webdocs/publications/105396/ap-096.pdf?v=7994.3>

WHAT CAN WE DO?

STATE LEVEL

Research has shown that shifting 20% of food dollars into, “**locally directed spending**,” would inject nearly \$1 billion into regional economies each year. Food grown by local farmers for export earns \$1.70 in community income for every dollar of sales. But a dollar spent at a local farmers market can generate \$2.80 for the community’s economy.

Public and private investments at the State and Federal levels are needed to link rural and urban areas. This includes better roads and electricity and internet connectivity. Investments are also urgently needed to help small and mid-sized farms adapt to climate change. WFU supports legislation like the **2023 Wisconsin Act 13** which was enacted in June 2023. This state-funded program will upgrade local roads and bridges, improving the critical link between farmers and businesses.

LOCAL LEVEL

Support the development of rural small businesses, which are an integral part of local economies and communities. Robust rural small businesses can help bring money back into agricultural-based towns.

Promoting **agritourism and education** can help enhance knowledge of farming and inspire more underserved populations to explore agriculture as a career path.¹²



¹¹ <https://www.ers.usda.gov/amber-waves/2017/march/large-family-farms-continue-to-dominate-u-s-agricultural-production/>



¹² <https://agriculture.vermont.gov/agritourism-allows-farms-diversify-and-has-potential-benefits-rural-communities>