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Farm Activities Associated With Rural Development Initiatives

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What Is the Issue?

Over the last 10 years, several USDA Rural Development programs, including the Business and Industry (B&I) Loan Guarantee program, have put increased emphasis on funding farm-related business activities associated with renewable energy, local/regional food industries, and the use of farm and ranch natural resources. In this study, we identified five farm activities: organic production; value-added agriculture (activities that add value to a farm product or service, such as the production of jam, jelly, wine, or cheese); direct marketing to consumers; agritourism; and renewable energy/electricity production. We examined farm and farm operator characteristics to explore factors that may be related to a farmer's decision to participate in these activities.

Previous research provided some information about specific farm activities, but it varied from one activity to another and mostly offered descriptive information with no attempt to identify factors that play an independent and statistically significant role in farm (and farmer) activities. This report represents an opportunity to gain a better understanding of the five types of farms that provide a product or perform a function related to USDA's recent rural development initiatives.

What Did the Study Find?

Farms whose owners pursue activities associated with rural development policy initiatives tended to differ from others in terms of several farm and farm operator characteristics, including farm size, net farm income, household income and net worth, and geographic location. For example:

- Farm operators involved with most of these activities were, on average, better educated, better advised, and had greater access to the Internet.
- Among the five activities evaluated, average farm household net worth was highest for agritourism farms (\$2.0 million) and lowest for direct marketing farms (\$631,000). Total household income was highest for energy/electricity farms (\$164,000 annually) and lowest for direct marketing (\$71,000 annually), on average.
- While a substantial percentage (39-60 percent) of the farms involved in these five farm activities qualify as rural residence farms, a higher percentage (65 percent) of all other farms fall into this rural residence farm category.
- Farms that focused on agritourism and energy/electricity production were typically larger in size, while direct marketing farms averaged fewer acres.

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- Farm operator age and education, family net worth, farm size, farm ownership characteristics, farmland use and practices, farm typology, geographic location, farm management advice, and Internet access contribute to farmer involvement in one or more of the onfarm rural development activities.
- A rural or urban setting is statistically related to farmer involvement only in the direct marketing activity and not in the other onfarm activities studied.

While this study did not attempt to evaluate the costs and benefits to society resulting from growth in these farm-related activities, the findings may still have policy relevance. Public- and private-sector initiatives may have some influence on education, farm management advice, and Internet availability, all of which were found to be significantly related to the farm activities studied. The findings also indicate the types and location of farms engaged in one or more of the five farm activities covered in this report, or that would most likely be receptive to involvement if incentives were provided to do so.

How Was the Study Conducted?

Our data were based on USDA's 2007 Agricultural Resource Management Survey (ARMS), conducted jointly by the Economic Research Service (ERS) and the National Agricultural Statistics Service (NASS) and on the 2007 Census of Agriculture, conducted by USDA/NASS. ARMS collected data from 18,709 U.S. farms and identified farms involved in farm activities associated with local/regional foods, renewable energy, and other rural development emphases. These data provided descriptive information about farm and farm operator characteristics. A logit analysis identified characteristics and locations that were independently and significantly related to farmer involvement in each of the activities studied. Data on farm location, reflecting the geographic region and urban/rural characteristics of the county in which each farm is located, came from the decennial U.S. Census and other related sources.