

Letter

Leopold Center launches five new policy projects

In its first foray into the public policy arena, the Leopold Center is announcing competitive grants that will launch five new projects in Iowa.

The projects will focus on research that explores alternative policies or looks at the impact of existing policies on midsize operations, sustainable practices, and land use. The Leopold Center grants for the projects, which will get underway in early 2004, total \$147,144.

"This is a new area for the Leopold Center," said initiative leader and agricultural economist Mike Duffy. "We decided that policy was too important to ignore."

Duffy said the Leopold Center will

not take a position on specific bills or become involved in advocacy efforts.

"We're interested in research that will help policy makers and the general public make more informed decisions," he said. "Our hope is that our work in this area will stimulate creative thinking about potential policies and the consequences of those policies."

The five projects are the result of a May 2003 request for proposals issued by the Center's Policy Initiative. Nearly 30 submissions were evaluated in a competitive process that included external reviewers and members of the Leopold Center's advisory board.

In addition to the projects that were funded, three other projects were accepted but not funded at this time. Two of these projects concerned the Conservation Security Program, which has not been funded by the USDA. Therefore, the Leopold Center projects have been put on hold until the program details are announced. The other project is being slightly revised and, pending successful completion of the alterations, it will be funded at a later time.

See page 2 for descriptions of new projects.

Related story, page 4: New ways to work with the Leopold Center.

'Locally grown' offers powerful marketing message

Consumers who participated in a recent marketing survey for the Leopold Center were enthusiastic about locally grown food and supportive of the farmers who produce it.

"The term locally grown, when combined with family farms, appears to be a powerful marketing message," said marketing initiative leader Rich Pirog. "Consumers said that if price and appearance were equal, they would choose products with these features over organic options."

Pirog's observations stem from an Internet study that tested prototypes for food ecolabels – seals or logos indicating that a product has met a certain set of environmental and/or social criteria. The study included survey responses from more than 1,600 consumers in Iowa and seven other Midwestern states and the Boston and Seattle metropolitan areas.

In the survey, consumers were asked to respond to one of three sets of ecolabel prototypes for fresh produce (grapes) that conveyed information on product origin, distance from farm to point of sale, how it was transported and the environmental impact of its transport measured by the amount of fuel emissions. They also were asked a series of questions about their perceptions of locally-grown/raised products and meats. Another group of consumers in the survey did not view any ecolabels.

More than 75 percent of the consumers in both groups chose the products labeled "grown locally by family farmers" as their first choice for produce or meat products. In both

ECOLABELS

(continued on page 5)



From the Director: It's time for a new look at rural life 3

A call for public research 4



On the verge of change: Discussing farm succession 6

Farmland value, owners 8-9



British ecologist challenges our notions about farming 10

Upcoming events 12

A look at ... Policy Initiative 2004 Grants

A survival strategy for small- and medium-sized farms, \$26,479, R. Ginder, ISU economics (P03-16) This project will create a database of small- and midsize Midwest farms that have used cooperative agreements to remain competitive, and evaluate the effectiveness of eight of those producer groups.

Defining farm types: Policy research considerations, \$25,950, Beginning Farmer Center, Iowa State University (P03-5) Most current farm programs categorize farms according to gross annual sales. This project will identify other ways to segment farms such as by acreage, harvested cropland or animal units, and use a simulation model to assess the impacts of a given policy on various sizes and types of farm operations.

Determination of the impact of USDA's National Organic Program on organic farms in Iowa, \$20,000, K. Delate, Iowa State University. (P03-8) Investigators will survey an estimated 400 Iowa organic farmers to determine the impact of the USDA's new National Organic Program on their operations. The new standards went into effect October 21, 2002.

Forming agricultural bargaining units for a sustainable and equitable agriculture, \$32,630, R. Ginder and D. Jarboe, Iowa State University. (P03-10) This is a case study of a cooperative marketing and bargaining association in the Upper Midwest, the Organic Farmers Association for Relationship

NEWS & NOTES

GM crops and pesticides. The Leopold Center was one of six organizations that helped fund an analysis of U.S. Department of Agriculture data on pesticide use by crop and state between 1996 and 2003. The November 2003 report, "Impacts of genetically engineered crops on pesticide use in the United States," showed that use of GM corn, soybeans and cotton has increased overall pesticide use. It was prepared by Charles Benbrook, who directs the Northwest Science and Environmental Policy Center. It can be viewed on the Ag Biotech InfoNet at <www.biotech-info.net/technicalpaper6.html>.

Marketing (OFARM). Specifically, investigators will look at how the organizational structure could be used by other farmer groups in Iowa, Minnesota and Wisconsin.

Taking the next step: Building a platform for performance-based stewardship payments, \$42,085, C. Flora, North Central Regional Center for Rural Development (P03-15) This is part of a larger project to quantify the usefulness of conservation incentives in making significant environmental improvements. The Leopold Center grant will merge predictions from a simulation model and an economic analysis in a southeast Minnesota sub-watershed to determine if and how the real cost of land use change is supported by stewardship payments. The project also will work with the Rathbun Lake Watershed Alliance in Iowa to make policy recommendations.

Ecology initiative sorts through project ideas

In its first call for proposals, the Leopold Center's new ecology initiative is now in the process of reviewing more than 40 concept papers to develop projects for potential funding.

The request for preproposals, or RFP, was issued in November for projects that lead to the development of ecologically friendly farming systems that are more resilient and less costly to farmers, communities and the environment.

Jeri Neal, Ecological Systems and Research program leader, said she was pleased with the ideas that had been presented. Examples of the Leopold Center's current activities in this area include projects to re-integrate livestock and crops, grass-based systems, perennialized landscapes, conservation agriculture and water management work. Neal said the Center also seeks to develop partnerships, leveraging funds for multi-state projects.



LEOPOLD CENTER

Leopold Center Advisory Board

Marvin Shirley, chair, Iowa Farmers Union, Minburn
Tom Fogarty, vice-chair, University of Northern Iowa, Cedar Falls

Neil Hamilton, member-at-large, Drake University, Des Moines

Lyle Asell, Iowa Department of Natural Resources, Des Moines

Kelley Donham, University of Iowa, Iowa City
Connie Greig, Soil and Water Conservation Districts of Iowa, Estherville

Stephen Howell, Iowa State University, Ames
Laura Jackson, University of Northern Iowa, Cedar Falls

Wes Jamison, Dordt College, Sioux Center
Paul Mugge, Practical Farmers of Iowa, Sutherland
Mary Jane Olney, Iowa Department of Agriculture and Land Stewardship, Des Moines

Jim Penney, Agribusiness Association of Iowa, Ames
Robert Sayre, University of Iowa, Iowa City
John Sellers, Soil Conservation Committee, Corydon
Allen Trenkle, Iowa State University, Ames
Arlyn Valvick, Iowa Farm Bureau Federation, Swea City

Wendy Wintersteen, Iowa State University, Ames



Printed on Recycled Paper



The Leopold Letter is also available on the web at:
<http://www.leopold.iastate.edu>

Leopold Letter
ISSN 1065-2116

Leopold Center Staff

Director
Fred Kirschenmann

**Associate Director/
Policy Research
Program Leader**
Mike Duffy

**Marketing and Food
Systems Research
Program Leader**
Richard Pirog

**Ecological Systems
Research Program
Leader**
Jeri L. Neal

**Communications
Specialist**
Laura Miller

Editor
Mary Adams

**Program
Assistant**
Andrew Hug

Secretary
Sherry Johnson

The Leopold Center for Sustainable Agriculture seeks to identify and reduce adverse socioeconomic and environmental impacts of farming practices, develop profitable farming systems that conserve natural resources, and create educational programs with the ISU Extension Service. It was founded by the 1987 Iowa Groundwater Protection Act.

The Leopold Letter is available free from the Leopold Center at 209 Curtiss Hall, Iowa State University, Ames, Iowa 50011-1050; (515) 294-3711.

Newsletter Editor: Laura Miller

Iowa State University does not discriminate on the basis of race, color, age, religion, national origin, sexual orientation, sex, marital status, disability, or status as a U.S. Vietnam

Era Veteran. Any persons having inquiries concerning this may contact the Director of Affirmative Action, 318 Bearshear Hall, (515) 294-7612.

It's time for another Country Life Commission

Agriculture is not commercially as profitable as it is entitled to be for the labor and energy that the farmer expends and the risks that he assumes...The farmer is almost necessarily handicapped in the development of his business, because his capital is small...and he usually stands practically alone against organized interests.

Not many people would argue with these statements – they accurately describe some of the problems that farmers face in agriculture today. Now consider when they were made – nearly a century ago – and the need to find workable solutions to the problems faced by our nation's farmers takes on new urgency.

The statements above are from the January 23, 1909 Report of the Commission on Country Life to President Theodore Roosevelt. It was the first time that any president had requested a study on the future of agriculture and country life in the United States, and the commission was made up of some of the nation's most prestigious leaders.

The Commission on Country Life was chaired by Liberty Hyde Bailey, the thoughtful and imaginative agriculture leader at Cornell University. Other members were magazine editor Henry C. Wallace from Iowa; Kenyon L. Butterfield, president of the Massachusetts Agricultural College; Walter Hines Page from New York; Gifford Pinchot, chief forester at the U.S. Department of Agriculture; Charles S. Barrett, president of the Farmers Union; William A. Beard from California, and E.W. Allen, assistant director of the Office of Experiment Stations.

Overall, the commission was hopeful about the future of agriculture and country living in the United States. The report concluded that agriculture, when "taken altogether," was "prosperous commercially."



Threshing oats in Indiana, 1936; a plow and harrow in Grundy County, Iowa, 1940. Courtesy USDA.

"The country people are producing vast quantities of supplies for food, shelter, clothing, and for use in the arts" and that "the agricultural people constitute the very foundation of national efficiency."

But the commission also saw ominous signs, as noted above, that needed attention. The commission noted numerous deficiencies that could lead to a compromised rural life. Among them was the "handicap" of a farmer not being able to secure an adequate return for products, "depriving him of the benefits that would result from unmonopolized rivers and the conservation of forests, and depriving the community, in many cases, of the good that would come from the use of great tracts of agricultural land that are now held for speculative purposes." Another deficiency was the "continuing depletion of soils."

The American Country Life Association (ACLA) was a direct descendant of Roosevelt's Country Life Commission. The Association was organized in 1919 and continued in various forms until 1976. Osgood Magnuson served as its last president (1975-1976), preceded by Gene Wunderlich (1974-1975).

Wunderlich has written a new book chronicling the history of the ACLA [*American Country Life: A Legacy*, University Press of America, 2003]. It will, as historian David Danbom at North Dakota State University says, "stand as the definitive institutional history" of the Association. The Leopold Center is proud to have had a role in funding that made publication of the book possible.

The story told in Wunderlich's book



may play an important role in shaping the future of rural America. Many issues that the Association addressed during its 57-year history still plague us today. Recognizing the ongoing importance of these issues to all Americans, the Association made a valiant but unsuccessful effort in the 1950s to get the President and Congress to appoint a second Country Life Commission. Perhaps Wunderlich's narrative can help us revisit that proposal.

When lobbying for another Commission in 1957, ACLA president Roy Buck expressed the need to "study the country community as a production-consumption unit to better carry out a rural development program," improve understanding between rural and urban interests, and preserve the values and attitudes of rural communities and their role in the nation's character.

The Rev. E.W. Mueller, who served on the ACLA at the time, suggested that such a Commission needed to address a new rural-urban reality: "It is one thing what happens to the people involved [in rural communities] like the small farmer or the commercial farmer. It is another thing what happens to a nation if the nation permits it to happen, because it will influence and affect the total spirit of the people."

These questions are more crucial now than they were in the 1950s because independent family farms may disappear from the landscape if present trends continue. We need to ask ourselves what kind of food system we will then have, what kind of landscape we will have, what kind of national spirit we will have. And we need to ask ourselves if that kind of future is okay with us.

These are important national issues that deserve discussion and debate at the center of our democracy, and a new Country Life Commission could stimulate such a debate in both rural and urban communities.

Richard Krackhammer

New ways to work with the Leopold Center

How will agriculture meet current and future challenges? What kind of agriculture will Iowa have in 25 years?

Director Fred Kirschenmann posed these questions in November to an audience of Iowa State University researchers who were invited to learn how to work with the Leopold Center. While the answers are not simple, they are relevant to the new focus and operation of the Leopold Center.

“We are interested in research that will make agriculture more profitable for farmers and that can keep the kind of farmers on the land who can best address the many changes,” Kirschenmann told the group. “We think the best way to do this is by three-part approach – in marketing, policy and ecology, the basis for our three research initiatives.”

Before the grants program was reconfigured in 2001, the Leopold Center had issued a general request for proposals each year, resulting in numerous projects with the Center as the sole grantor. Many of the Leopold Center’s current grant projects feature partnerships and alliances among various organizations, both to leverage funding and to bring together those working toward similar goals.

“We see the Leopold Center operating as a catalyst and convener, a force for bringing people together to do the kind of research that will move us forward,” Kirschenmann said. “We think this research can have an impact on the problems facing agriculture today.”

Each initiative will issue individual requests for proposals, or RFPs, that spell out specific areas of research interest. The policy and marketing initiatives issued RFPs in late spring 2003 and projects began in the fall. The ecology initiative issued its RFP in November 2003, and projects will begin in early 2004.


In addition to the competitive grants, each initiative will be involved in other projects and studies needed to further the work of the initiative.


Associate director Mike Duffy, who


also leads the policy initiative, said the Center does not want to overlook research that may not fit within the parameters of one of the initiatives.

“If you have an idea, we will listen,” he said. “We want to be flexible and funds will be available for these special projects.”

Kirschenmann said he hopes the Leopold Center can meet with researchers and organizations in other parts of the state to discuss ways to collaborate on projects and to participate in the Center’s initiative-led research program.

 **The Marketing and Food Systems Initiative** operates under the premise that if farmers are to stay in business, they need to take advantage of new marketing opportunities as quickly as possible. This initiative will research and develop marketing systems that enable farmers to produce and retain more value on the farm, based on production systems that contribute to environmental stewardship and community revitalization. Program leader is Rich Pirog, rspirog@iastate.edu, (515) 294-1854.

 **The Policy Initiative** will research policy options to foster a sustainable agriculture. This includes policies to help beginning farmers establish ecologically sound and profitable farming and marketing operations, that reward farmers for producing public goods such as ecologically restored landscapes, and that modify regulations which sometimes put locally owned micro-enterprises at a competitive disadvantage. Program leader is Mike Duffy, mduffy@iastate.edu, (515) 294-6160.

 **The Ecological Systems and Research Initiative** will support research and development of ecologically friendly systems that are more resilient and less costly to farmers, communities and the environment. This includes identifying how farming practices can use free ecosystem services, enhance biodiversity, and use natural processes as models to increase agricultural productivity. Program leader is Jeri Neal, wink@iastate.edu, (515) 294-5610.

National summit supports publicly funded breeding research

University researchers, policymakers and non-profit organization representatives discussed the decline in public funding and rise in private funding for plant and animal breeding research during the Seeds and Breeds Summit September 6-8 in Washington, D.C.

The summit grew out of discussions during the past year among a group of people working in sustainable agriculture, including Fred Kirschenmann at the Leopold Center and three agronomy researchers at Iowa State University.

The consensus from the summit was that short-, medium-, and long-term strategies are required to ensure support for publicly funded plant and animal breeding programs and maintaining plant seeds and animal breeds in the public domain, especially in light of current and future challenges facing agriculture.

The group is concerned that patent and ownership laws may lead to greater consolidation of germplasm in private hands, and neglect of other cropping and livestock breeding problems. Lack of public funding also may affect the education

and training of the next generation of breeders as researchers leave universities for the private sector.

The planning committee was led by Michael Sligh of the Action Group on Erosion, Technology and Concentration, or ETC Group (formerly the Rural Advancement Foundation International, RAFI). Other members included ISU agronomists Charles Brummer, Jean-Luc Jannink and Kendall Lamke; researchers from Minnesota and Wisconsin; and representatives from the Center for Rural Affairs, the Land Institute, Northern Plains Sustainable Agriculture Society, and the Organic Farming Research Foundation.

The group supports public plant and animal breeding within the National Research Initiative (NRI). The Initiative for Future Agriculture and Food Systems (IFAFS) was recently absorbed into the NRI with a promise that 20 percent of the funding would be directed toward IFAFS areas including farm and ranch profitability, natural resource conservation, and rural policy research. The Leopold Center also provided travel

SUMMIT

(continued on page 5)

Food business managers echo consumer sentiments

ECOLABELS

(continued from page 1)

groups, consumers were most responsive to labels that connected product freshness with the time (in days) that it took for the product to travel from farm to store.

About 25 percent of the consumers in both groups said they would pay a premium of 6 to 15 percent for products with these additional qualities.

Pirog said a similar response came from a second, smaller population sample in the study – managers of food-related businesses such as supermarkets, meat lockers and distributors. “Food business respondents perceived that more than 50 percent of their customers would be interested in ecolabels,” he said. “Although their idea of local was much broader geographically than the one held by consumers, they said that their customers would most often request “grown locally” over other options, with price and appearance being equal.”

Pirog said the results show that ecolabels can be an effective way to educate consumers about locally grown, sustainably-raised foods. Although they were not rated as highly by consumers in the survey, he noted that a product’s secondary benefits of low environmental costs and support for the local economy and local farmers can be linked to issues such as freshness and quality, which are critically important to consumers.

Pirog worked with the Business Analysis Laboratory at Iowa State University to conduct the research. The Lab involves graduate and undergraduate students from the ISU colleges of business, education and engineering who work in teams to solve business and manufacturing problems for companies.

“This pilot project successfully demonstrates that future collaboration between business and agriculture can play a key role in supporting market research and business development in food value chains where the farm production practices are rooted in the principles of sustainable agriculture,” Pirog added.

According to Tom DeCarlo, associate professor of marketing and the Lab’s faculty advisory, the Lab has worked with a major corporations including Lockheed Martin and 3M, but this was their first experience in sustainable

agriculture. He said the students have enjoyed contributing to the Leopold Center’s efforts to help sustainable ag producers become more profitable.

Pirog noted that conclusions drawn from this Internet study, although commonly used in product marketing research, cannot be applied to a general population. Consumer respondents did not represent a statistically random sample of the three geographical areas but were selected randomly from e-mail address lists owned by a survey administrator.

Pirog is working with the Lab to refine the ecolabel concept.

What is an ecolabel?

An ecolabel is a seal or logo indicating that a product has met a certain set of environmental and/or social standards or attributes.

The marketing survey tested ecolabels that showed information about product origin, distance from farm to point of sale, mode of transportation and amount of carbon dioxide emitted during transport.

The survey showed that consumers were most responsive to ecolabels that had the least amount of information. Freshness was the most important reason for buying local foods for consumer respondents across all three geographic regions.

The report, “Ecolabel Value Assessment: Consumer and Food Business Perceptions of Local Foods,” is available on the web at: www.leopold.iastate.edu/pubinfo/papersspeeches/ecolabels/ecolabels.html or from the Leopold Center at (515) 294-3711.



Iowa farmers offer their views

SUMMIT

(continued from page 4)

expenses for five Iowa farmers to attend the conference. They were Don Adams, Madrid; Laura Krouse, Mt. Vernon; Roger Lansink, Odebolt; Paul Mugge, Sutherland; and Dan Specht, McGregor.

“Public breeders are needed to perform research not undertaken by private companies such as developing minor crops, specialty crops and cover crops,” Mugge wrote in his report on the summit. “Unfortunately, these necessary functions are being jeopardized either by lack of funding of changes in the laws governing intellectual property.”

Adams said he also was worried that the focus was on high-yielding varieties of major crops. “Public plant breeders need to provide research support to help farmers develop crops

that will fit into the cropping systems of the future,” he said.

Lansink said public research is needed for other reasons. “They’re very important for the economic good of producers and for food security for everyone in this country,” he said. “[I feel that] sustainable plant and animal programs are experiencing the same fate as are sustainable farms.”

A report, “Ownership and Legal and Public Policy Frameworks for Reinvigorating a Federal Public Plant and Animal Breeding System,” is available from the Center for Rural Affairs, P.O. Box 406, Walthill, NE 68067, (402) 846-5428 or on the web at: www.cfra.org/resources/seed_breed_paper.htm. The ETC Group is preparing proceedings from the meeting, which will be available via the Leopold Center.

In 1982, there were almost three times as many farmers under age 35 compared to farmers over age 65. In 1997, there were three times as many senior farmers as younger farmers, a complete reversal. A recent Leopold Center discussion considered these and other topics.



Population changes signal new business landscape

By Laura Miller
Newsletter editor

As Iowa's farming population ages, the state faces a changing of the guard.

Demographic trends, economics and farm policy are fueling some of the changes, which leave many questions unanswered. What will happen to Iowa's rural communities? Will young people be able to enter the business? How will ownership changes affect the structure and makeup of Iowa agriculture?

A group of concerned individuals gathered at Iowa State University in October to discuss issues related to farm business transfers and farm succession. The one-day event was an outreach activity of the Leopold Center's Policy Initiative led by Mike Duffy. Co-sponsors were the Beginning Farmer Center at Iowa State University and the Drake University Agricultural Law Center in Des Moines.

Keynote speaker was agricultural economist Andrew Errington from the University of Plymouth in England. Using data collected by his FARMTRANSFERS project, he explained how farm families pass their businesses to the next generation in England, France, Poland, Canada, Japan and the United States. Although farm ownership is handled differently in each country, many aspects of the transition remain the same.

"Very often the older generation is passing on more than just a business but also the experience they've gained through the years," he said. "These intangible assets – how to best raise crops on a particular field, what date it's best to set out the cows – are passed down in a process that happens over a period of time."

Errington collaborated with the Beginning Farmer Center in 2000 to survey Iowa farmers about their plans for retirement [see Spring 2002 *Leopold Letter*, "Who will farm the land?"]. The survey showed that a majority had not made plans for the future of their farming operation, and that half of those who had made plans had not discussed them with anyone.

"Farmers are pretty much the same throughout the world," Errington said. "They are uncomfortable talking about income, and most farmers are reluctant to hand over managerial control to a successor."

Surveys showed that the chief objective of a farm family business was not strictly for profitability, but to maintain control and pass a secure and sound business to the next generation. The surveys also showed that retiring farmers expect to have a place to live – a problem in England, which lacks suitable housing in rural areas – and an assured income. "In essence, your son is your pension fund manager," Errington added.

The phenomenon of semiretirement unique to farming also is common. Farmers in the United States and Japan on average expect to remain active until age 68, about 10 years longer than their European and Canadian counterparts. U.S. farmers also expect to derive about one-fourth of their income from the farm.

Errington's work points to several models for farm succession. In the traditional "farmer's boy" model, the successor works alongside the principal operator while making few financial decisions. About 20 to 25 percent of successors in the United States run a separate farm while waiting to take over the family farm. This option has almost been eliminated in England due to high land costs. An increasingly popular third option is the "professional detour," in which successors work off the farm in an unrelated occupation before returning to agriculture.

Duffy said problems faced by retiring and beginning farmers have some of the same causes, but different outcomes. Higher land values and cash rent help retiring farmers maintain an adequate income, but can keep beginning farmers from entering the business. Few operations raise livestock, which provides opportunities for young farmers to build capital by providing labor.

"The trends continue to move against beginning farmers and will continue unless we have new policies," Duffy said. "There are options available but it will take a change in mindset, not only with retiring farmers, but the younger people coming in."

Duffy said the discussion showed the need for more research in this area, especially on the impacts of government programs on farm succession planning.

(In a sad postscript to the successful meeting, the Leopold Center was informed that Dr. Errington died in November.)



Far left: British economist Andrew Errington presented his research. Near left: Leopold Center associate director Mike Duffy explained possible policy needs.

Related story: Commentary, pages 8-9.

Overheads from all presentations are on the Leopold Center's web site: www.leopold.iastate.edu/events/succession_100603/succession.html.

Feed the world: A failed policy

By Dennis Keeney

The 200-acre south central Iowa farm of my youth provided milk, eggs, pork, chicken, beef, lamb and vegetables locally and for markets in Des Moines, just 15 miles west of us.

It was a farm roughly in balance, using the forage and grains grown on the farm to feed the animals and was in one of the first Soil Conservation Service watersheds in Iowa.

In all ways but one – financial – it was a sustainable farm. Hit by droughts, crop and animal diseases, low prices, and finally my father's failing health, the farm disappeared, a litany many farms are following today.

A major reason for our farm's failure is the misdirected policy, established in the 1970s, that U. S. agriculture should "Feed the World."

The mantra of industrial agriculture, this altruistic-sounding policy in various guises was simply to maximize commodity production in the United States and export as much as possible. The government would remove trade barriers to the hungry parts of the world. The rest is history. Farmers maximized production, but the markets did not appear. This policy has failed all but input suppliers, the food processors and retailers and grain exporters.

Feed the World has failed the world.

Those suffering chronic hunger has held steady at around 800 million, even though the world produces enough food to feed everyone, thanks to the fact that food production has outstripped population growth for the last 30 years. It is widely recognized that the principal cause of hunger is poverty aided by natural disasters and war. Our exports go to those who can afford our food, not those who need it. Trade agreements have not addressed the issue of dumping, that is selling grain or food at prices less than the cost of production, displacing farmers in Mexico and elsewhere and increasing the general level of hunger in these countries.

Our food policies fail to recognize that all countries strive for food security for the staples that constitute the core of their diets. Hence the failed Cancun World Trade Organization talks.

Feed the World has failed the United States.

In 2002, 3.8 million households were classified as "hungry," yet the nation is suffering from an epidemic of obesity and we are well on our way to becoming a permanent food-importing nation, according to a recent Purdue University report. Obesity is partly a result of a farm policy that brings us cheap grains, especially corn. To use this cheap grain, processors market more meat, corn syrups, and other fattening foods. The unhealthy diets have resulted in chronic and increasing obesity to the point that it is one of the country's most serious public health problems.



Dennis Keeney

Feed the World has failed agriculture.

We pumped \$26 billion into farm support programs in 2000, yet it did not secure new markets. Labor-saving technologies and low returns have pushed farmers off the land, as farms must become larger to survive. Rural regions struggle for identity as incomes drop and people leave. And the environment suffers from soil, nutrient and pesticide runoff, and loss of biodiversity.

The production technologies developed largely through superior U.S. research are easily exported. Now low-cost feed grain and soybean producers in South America are outperforming American Corn Belt farmers. This could bring economic chaos to U.S. agriculture in the near future if we continue to battle in the export of commodities. There will always be an export market and we must strive to serve it. However, the U. S. needs to be far more consumer savvy about providing goods that countries want, not what we produce well.

Can the broken parts of our world food system be fixed? It took 50 years or so to get this way, and so we cannot expect solutions overnight.

First, we need to concentrate on food security in this country, not so much in supply as in the type of foods we supply. The concept of regional food systems needs more emphasis.

Think of how the French have done so well with regional wines and cheeses, and even how our friends in Wisconsin are known for their locally produced cheeses and bratwurst as well as vegetables. "Wisconsin Grown" remains one of the most attractive food labels in the Midwest. Iowa has foregone this advantage as we chased the commodity bandwagon.

Improving local and regional economies would help immensely by giving more people the opportunity to be food secure. Reforming subsidies to reward environmental conservation instead of overproduction may be a big part of the solution.

Can we renew our countryside while there is still a countryside left to renew?

My home farm and many like it are gone for good. While I still believe we can restore much of what was lost in the misguided policies of the past 50 years, we will never achieve sustainability if the ill-advised goal to "Feed the World" is our guiding principle for agricultural policy. This is the agribusiness vision.

Instead, I propose we move to a new vision where agricultural policy emphasizes supporting farmers, land and economic diversity of rural communities. The Conservation Security Provision of the 2002 Farm Bill is a good start. It is time for the countryside to take control of its future.

Dennis Keeney was director of the Leopold Center, 1988-1999, and is Senior Fellow for the Institute for Agriculture and Trade Policy in Minneapolis. This piece first appeared in the Nov. 29, 2003 issue of Iowa Farmer Today.

Every farm woodland, in addition to yielding lumber, fuel and posts, should provide its owner a liberal education.

This crop of wisdom never fails, but it is not always harvested. — Aldo Leopold

Is there a sustainable future ahead?

Reflections on Iowa farmland in 2004

By Mike Duffy
Associate director



Mike Duffy

The start of a new year is a time to reflect on the past year and what lies ahead. For the past 20 years, I have followed the Iowa farmland market very closely. There have been ups and downs and it has never been dull. Iowa farmland remains the highest value asset in all agriculture and for most farmers it is the main source of their wealth. Farmland and how we use it says a great deal about what kind of state we have. Therefore, what happens to the land is important to all Iowans, not just farmers.

Here are the results of some land surveys done at Iowa State University in 2003. They offer a glimpse of what has happened to Iowa farmland and what the future might hold.

Land market values

Iowa's land market remained active during 2003 and farmland values maintained the upward trend of the past four years. The ISU Extension land value survey reported that Iowa land values increased 9.2 percent in 2003, averaging \$2,275 per acre.

The farmland values reported in 2003 were the highest ever recorded in Iowa. The previous peak was in 1981, when the values were \$2,147 per acre. When adjusted for inflation, using the 1982-1984 period as a benchmark, the highest recorded value occurred in 1979. The 2003 values, when adjusted for inflation, are close to the values reported in 1973, the first year of the rapid increase in values during the 1970s.

Who is buying Iowa farmland these days? Each year, the ISU survey asks who the respondents think is purchasing farmland. Existing farmers have always made the majority of Iowa farmland purchases. However, over the past few years there has been an increase in purchases by investors. This trend continued in 2003. It was estimated that existing farmers made approximately 60 percent of the purchases, while investors made 34 percent. In 1990, 81 percent of the purchasers were existing farmers and 16 percent were investors.

There are many reasons for the strong land market and the change in Iowa farmland buyers. The scarcity of listings was an influential factor in the 2003 survey, but in the short run, the most significant factor is the low interest rate. Additional factors include poor performance of alternative investment opportunities, and better-than-expected corn yields. Guaranteed payments from government programs also have sustained land values.

In the longer run, there are at least three fundamental shifts that have impacted the Iowa land market. Some of today's land purchases are not for farming, but rather for hunting camps, second homes, or other recreational uses. Closely related to this non-farm purchasing trend are the urban expansion occurring in some areas and the ability and willingness of people to commute longer distances.

Another long-term factor is growth in farming operations. Farmers have been expanding their operations for years, but in today's market it often is not possible for the farmer to directly purchase land. Producers must rent land, and as the demand for rented land increases so does the rent. Higher rents mean higher returns to owners, which spurs greater investor interest. Finally, the aging population of land owners will influence the Iowa land market for many years to come.

Land values remained strong throughout the entire state in 2003. Every county showed an increase in value relative to 2002. Four of the nine crop reporting districts showed a double digit increase in average value for all grades of land relative to 2002.

Land ownership

Iowa State University also conducted a survey of farmland ownership in early 2003. This was one of a series of surveys designed to track trends in farmland ownership. Final analysis is not complete, but initial analysis shows that many of the trends are continuing, if not accelerating.

A major change has occurred in Iowa farmland ownership. In 1982, 41 percent of Iowa farmland was under sole ownership. By 2002 that figure was only 28 percent. Two ownership categories showed significant increases. The amount of land held in trusts increased from 1 to 8 percent over the 1982-2002 period. The amount of land held as tenants in common also increased from 7 to 12 percent over the same period.

There are many probable reasons why we are seeing this shift. A major one is the increasing age of farmland owners and the passing of land from the older generation to their children. In many cases, the children choose not to sell the land but hold it for a variety of reasons.

Almost half of Iowa farmland is owned by people over age 65, indicating that we can expect the shifts in ownership to continue. ... As more owners are physically removed from the land, will [new owners] supply the same level of care and respect?

The change in the age of farmland owners closely matches the change in the age of farmers. In 1982, 29 percent of the farmland was owned by people 65 years of age or older. This percentage increased to 48 percent in 2002. The percentage of farmland owned by a person over the age of 74 doubled from 1982 to 2002, from 12 to 24 percent.

Further evidence of ownership changes is shown by who is operating the land. In 1982, 55 percent of the land was operated by the owner. In 2002, this percentage had dropped to 38 percent. Some of this change is influenced by the amount of land that is owned but not in production due to government programs. However, the amount of leased land increased from 42 percent to 53 percent from 1982 to 2002.

Another significant change in Iowa farmland is the method of financing. In 1982, 62 percent of the farmland was held with no debt. By 2002 the percent of land held without debt increased to 76 percent. Land under a contract sale decreased from 18 percent in 1982 to 1

FARMLAND

(continued on next page)

percent in 2002. Mortgaged land remained relatively constant, going from 20 percent in 1982 to 23 percent in 2002.

There has been a marked change in the amount of land holdings by the current land owners. In 1982, 40 percent of the farmland was owned by people with less than 80 acres. By 2002 this had dropped to 13 percent. For the large land holdings (greater than 600 acres), the percentage of farmland had increased from 5 percent in 1982 to 16 percent in 2002.

A final piece of information that highlights the rise in investor purchases of land and the land transfer to the next generation is the shift from Iowa resident to non-resident owners. In 1982, 94 percent of the land was owned by Iowans; this figure dropped to 82 percent in 2002.

Farmland tenancy

The change in who operates Iowa farmland has been noted already and another significant shift from crop share leases to cash leases also is occurring. In 1982, 49 percent of the rented land in Iowa was cash rented, compared to 70 percent in 2002. During the same period, leased land under crop shares decreased from 49 to 30 percent.

There are several reasons for this shift toward cash rent:

- Farmers with multiple landlords find it less burdensome to have cash leases,
- Increased investor ownership, and
- The change in generational ownership.

Crop share leases, historically, have been in place for an average of 19 years. On the other hand, the average cash rent arrangement has been in effect for only nine years, with approximately 30 percent in place less than four years.

The division of costs and yields with crop share leases has remained relatively constant. The 50/50 division remains the most popular method.

More information from the survey on the rental arrangements can be found in Extension publication FM 1811, *Iowa Farm Leasing Practices*.

2004 and beyond

No one knows what the future will bring and the Iowa farmland market is no exception. It is especially difficult to predict what will happen in an election year.

In spite of the uncertainties, there are some trends in the land market that will continue for 2004 and quite likely into the future. The age of Iowa farmland owners continues to increase. Almost half of the land is owned by people over age 65, indicating that we can expect the shifts in ownership to continue.

How will this land be transferred? How will the land be used by the next generation? Will it be sold? Will it continue to be held in joint ownership or placed in trust? The answers to these questions will lead to changes in ownership, in how the land is used, and also will influence the value of Iowa farmland.

The recent upsurge in investor interest quite likely will continue. I recently estimated that the implied capitalization rate (essentially the rate of return) for land averaged 4.7 percent in 2002, ranging from 8.5 to 3.2 percent. If one considers possible future increases in land values, this makes land an attractive investment under most scenarios.

Farm size has increased and likely will continue to do so over the next several years. Higher yields and enhanced technology have allowed farmers to farm more land. However, the margins in farming have narrowed and as a result many farmers look to higher volumes to maintain income. As farmers seek more land, the demand for land increases and so does the price. Will this trend of increasing size continue? No one knows for certain, but more than likely it will persist for the next several years.

Government payments and programs will continue to strongly influence land values. Recently I estimated that, on average, approximately half the land value in Iowa for 2002 could be attributed to government payments over the past seven years. Government price supports remove much of the income downside risk associated with crop production. The current programs will remain in force for the next several years.

Two factors could influence the continuation of these government payments. One is the federal budgetary pressure that could force a reduction in agricultural spending. Also, there have been major complaints from many other countries regarding the trade-distorting effects of our current policies.

Another government program that could affect farmland is the new Conservation Security Program. The

federal subsidy has not been approved yet but, with funding, this program could generate some changes that would impact land values.

High land values and rents will continue to burden beginning farmers.

Many young farmers are not sufficiently capitalized to afford today's farm expenses. If it becomes too difficult for young people to enter farming, we will see a continuation and perhaps acceleration of the "disappearing middle" in agriculture.

How these trends will impact the move toward a more sustainable agriculture also is uncertain. The change in ownership could encourage the attitude that land is merely an investment from which the highest short-term return is sought. As more owners are physically removed from the land, will they supply the same level of care and respect?

More frequent use of cash rent also can be viewed in several ways. Some argue that with cash rental, only the dollars received are important. Others feel that with cash rent, the operators must maintain high yields if they want to receive the highest return.

The removal of land for urban expansion and recreational uses also is a concern to many. How will this impact the way we treat the land? Will there be more protection or further neglect?

The future of the land market is unknown but several trends likely will continue. There may be increases in the land market if the demand for and the prices of Iowa agricultural products remain high. Such scenarios are possible with breakthroughs in alternative uses for commodities, especially in the energy arena. Price hikes also could be possible if major problems occur with our competitors' production.

On the downside, changes in government support programs could have significant impacts on profitability as could fluctuations in the overall economy. The odds are that the land market will remain stable, but the increase in values seen in 2003 will not likely be repeated. Only time will tell.

More information on the web:

- Land value survey: <www.exnet.iastate.edu>
- Farmland ownership: <www.leopold.iastate.edu> or <www.econ.iastate.edu/faculty/duffy>

Ecologist challenges traditional notions about agriculture

A British ecologist who has studied farming systems throughout the world challenged Iowans to judge agricultural success by more than just its productivity and cheap commodities.

Jules Pretty, director of the Centre for the Environment and Society at the University of Essex, visited Iowa October 20 as a guest of the Leopold Center's ecology initiative.



Jules Pretty

During a seminar on the Iowa State University campus, Pretty said attitudes about the nature of agriculture have changed during the past 50 years of tremendous progress in productivity.

"We have come to view farming landscapes as being primarily bread baskets, yet agriculture is more than about producing food," he said. "We get many positive things from agriculture, including clean water, cohesive communities, rural employment, flood protection, aesthetically pleasing landscapes and biodiversity."

On the other hand, agriculture has side effects that carry costs, such as the cost to clean up pollution from pesticides, nutrients, and soil; loss of landscape value and biodiversity; flooding; and most recently, effects on human health.

"Modern farming looks good because it measures its own success narrowly – by increases in productivity and falling commodity prices that allow for cheap food," he said. "But modern farming tends to ignore its own multi-functional nature and subsequently many of its other costs and benefits."

For example, Pretty notes that the western world emphasizes "cheap food" when "food is actually very expensive. We end up paying for it three times – once at the market, a second time via taxes for subsidies, and a third time to clean up the environmental and health mess."

Pretty has devoted considerable research effort to getting a clearer picture of the costs and benefits of modern agriculture. For 1999-2000, he assessed the negative side effects of agriculture in Great Britain. When elements such as pesticide removal from water, off-site costs of soil erosion and bacterial outbreaks were

included, Pretty found "hidden" costs (in U.S. equivalents) of about \$85 per acre.

When considering the full costs of food in Great Britain over the same period, he found the equivalent of \$7.4 billion per year in "hidden" costs. The major contributors to the "full cost" accounting included the externalities previously noted, and transportation costs from the farm to processing site, distribution and retail outlets, and to consumers' homes.

To provide some context, net annual farm income in Great Britain during the same period was approximately \$2.8 billion, and consumer spending on food was about \$150 billion.

Pretty emphasizes the need to talk about these side effects and the need to reduce the more costly ones. "But we'll never get to zero costs for agriculture," he added. "Costs can only be reduced."

Pretty also has looked at the productivity of alternative agricultural practices. He conducted a comprehensive study of more than 200 sustainable farming projects on 70 million acres in 52 countries. His analysis showed that the use of sustainable agriculture practices can lead to substantial increases in production, as much as 150 percent for some root crops.

In his work, he has found only three countries that have explicit national policies in favor of sustainability: Switzerland, Cuba and Bhutan in central Asia. "By sustainable, I mean a country that seeks to make the best use of nature's goods and services as well as human resources, and agriculture still contributes to the public good," he said.

"Many countries talk about it, but in actuality few have policies that truly contribute to sustainability, which is lamentable." He said he hopes that in a decade, perhaps 30 to 40 countries might be working toward sustainability and "at least trying to do the right things."

The visit was co-sponsored by the ISU Bioethics Program. A copy of Pretty's presentation, "Re-Thinking Agri-Culture: As if the Real World Matters," is available on the Leopold Center web site at <www.leopold.iastate.edu/events/pretty.html>.

Can sustainability change the way we do business?

Whether they are driven by consumer demand or eco-efficiency, an increasing number of Fortune 500 companies are exploring sustainability in relation to their core operations.

However, fully embedding the ideas of integrated environmental and social aspects of sustainability into core strategy and operations is difficult. The process can take years, and setting checkpoints to measure progress can be just as challenging.

"At a high level, there is agreement on the basic conditions for sustainability," said Sissel Waage, representing The Natural Step, an international advisory and research organization. "They include the need for conservation, restoration, and care of our natural resources, biodiversity and the ability for people to meet their basic needs."

The Natural Step uses an educational framework to help organizations understand and move toward sustainability. With ten offices worldwide, the group also offers advisory services for corporations that want to integrate sustainability into core strategies, most recently McDonald's, Home Depot and Bank of America.

Waage presented a seminar November 12 at Iowa State University, co-sponsored by the Leopold Center's Marketing and Food Systems Initiative and the ISU's Office of Biorenewables Programs.

Although many people question whether an international corporation can truly become sustainable, Waage says such efforts can create "breathing room" for smaller companies that are seeking to operate in a more sustainable manner. She said she learned this lesson while working with

on sustainable forestry concerns issues in the Northwest before joining The Natural Step. The only local lumber mill was not interested in doing business with people who were involved with sustainability issues in general and, in particular, not with the growers that had any association with the Forestry Stewardship Council.

"It became very clear to me that not engaging large companies in a discussion of sustainability 'deprived the oxygen' that smaller, place-based sustainable companies need to survive," Waage said.

More details are in Waage's new book, *Ants, Galileo and Gandhi: Designing the Future of Business Through Nature, Genius and Compassion* (Greenleaf Publications, 2003) or on the Leopold Center web site: <www.leopold.iastate.edu/events/natural_step/natural_step.html>.

Realigning our moral compass

Citizenship Papers

Wendell Berry
Shoemaker & Hoard, 2003
 189 pp., \$24

Near the end of his *Sand County Almanac*, Aldo Leopold reminded us that it is imperative for us to develop an “ecological conscience.” There is a great need, he said, to extend our “social conscience from people to land.” He also suggested that this entailed a special kind of citizenship—learning how to be a “plain member and citizen” of the biotic community.

In his new book of essays *Citizenship Papers*, Wendell Berry clarifies some of the responsibilities that go with being such a citizen. And he warns us that if we continue to ignore these citizenship requirements, we will further erode both our social and our ecological capital to a point where it may be difficult for future generations to be citizens of this planet.

As in many of Berry’s previous works, some of these essays already have been published in various journals, some of them under different titles. But together they form a powerful and cohesive call to responsible citizenship on the planet. The essays cover a range of social, ecological, political and economic issues that face us today. How do we farm responsibly and successfully in our current economic and policy climate? What kind of economy allows communities to thrive? What kind of plant and animal breeds do we need for sustainable farms? What does it mean to be truly patriotic, especially in our current circumstances? Berry addresses these and many other issues with a moral clarity that is rare in contemporary literature.

Berry acknowledges that many “self-styled ‘realists’ of the corporate economy” will dismiss many of his ideas as romantic and quixotic. But he argues that it is precisely this “realism” that “has brought absurdity, waste and ruin to an unprecedented magnitude. It has made violence normal, both as war and as ‘economic growth.’”

While not everyone will agree with Berry’s prescription for what ails us and our world, it is hard to argue with his description of the ills.

- *Under industrialism, the farmers, and especially the smaller farmers, are overworked and underpaid, and this exactly corresponds to the condition of the land ...Much is taken, little that belongs to it given back.*
- *You cannot pollute the world’s only atmosphere and exempt your asthmatic child.*
- *The corporate food supply is highly vulnerable to acts of biological warfare.*
- *Even the richest beneficiaries of the present economy cannot prosper indefinitely in a country, or a world, of devastated landscapes populated by the poor, the exploited, and the unemployed. Finally the bills will be delivered, and everybody will pay.*

Whether or not one agrees with Berry’s solutions for these ills, we can no longer afford to ignore his call to responsible citizenship, to begin restoring our social and ecological capital. Reading these essays and adjusting our own moral compass is a good place to start. —
Frederick Kirschenmann

FROM THE ADVISORY BOARD

Board seeks candidates for 2004 Spencer Award

The Leopold Center Advisory Board will be taking nominations for the 2004 Spencer Award for Sustainable Agriculture. The Spencer Award honors the beliefs, innovations and stewardship of Norman and Margaretha Spencer, who farmed near Sioux City for 40 years. The 2004 award is open to researchers, educators and farmers who have made significant ecological or economic contributions that secure the future of the family farm in Iowa.

A committee of the advisory board will select the recipient, who will receive the award during the 2004 Iowa State Fair. The award includes \$1,000.

Organizations are encouraged to submit nominations. Self-nominations also are accepted. All submissions must be postmarked by March 31, 2004.

For more information, contact Laura Miller at the Leopold Center, or go to the Leopold Center web site:

<www.leopold.iastate.edu/spencer/spencer.html>.

ISU honors Jim Penney

Jim Penney, who represents the Agribusiness Association of Iowa on the Leopold Center advisory board, was recently honored by the Iowa State University Alumni Association. Penney received the prestigious Floyd Andre Award, presented each year to an outstanding alumnus. Penney, who holds undergraduate and graduate degrees from ISU, is general manager for the Heart of Iowa Coop. He recently completed a one-year term as chair of the advisory board.

NEWS & NOTES

The GM debate. Information from a Dec. 1 presentation by Hungarian-born researcher Arpad Pusztai is available on the Leopold Center web site at <www.leopold.iastate.edu/events/pusztai/pusztai.html>. Pusztai’s seminar, “GM Food/Feed: Gaps in risk-associated research that need to be filled,” was sponsored by the Leopold Center’s ecology initiative and the ISU Bioethics Program. Pusztai worked more than 30 years at the Rowett Research Institute in

Aberdeen, Scotland, until he left in 1999 following publication of results from a controversial research project that linked GM potatoes with gastrointestinal growth and development abnormalities in rats. He is a consultant to the Norwegian Food Sciences Institute.

Winter reading. Two new publications for farmers and rural business owners are available from the Sustainable Agriculture Network, the outreach

arm of the USDA’s Sustainable Agriculture Research and Education (SARE) program. They are: *Building a Sustainable Business: A guide to developing a business plan for farms and rural businesses*, a 280-page notebook; and *Opportunities in Agriculture: Transitioning to organic production*, a 14-page bulletin. For more information, contact SARE at (802) 656-0484, sanpubs@uvm.edu, or on the web at <www.sare.org/publications>.



LEOPOLD CENTER
FOR SUSTAINABLE AGRICULTURE
209 CURTISS HALL
IOWA STATE UNIVERSITY
AMES, IOWA 50011-1080

LEOPOLD

Letter

HIGHLIGHT EVENTS

The value of buffers

"Buffers have more than conservation value, they have a value in terms of water quality, also landscape diversity and habitat, and their use needs to be better targeted. If they were, we could have a remarkable impact on the state's water quality." – Jim Gulliford, Region 7 administrator for the U.S. Environmental Protection Agency in Kansas City that oversees Iowa, Nebraska, Kansas and Missouri.

Gulliford was the featured speaker at the 2003 Shivers Lecture hosted by Gamma Sigma Delta agriculture honorary and the Leopold Center on November 3.

He also warned state agencies that there would be no more exceptions to federal rules that require nutrient management plans for confined animal operations. "Livestock production has changed a lot in 20 years," he said. "We need to find creative and better ways to manage them."



What is farming for?

British ecologist and author Jules Pretty visited Iowa in October. See story on page 10.

Mark your calendar

January 9 – "Ecolabels and the Food Market" workshop during the 2004 Practical Farmers of Iowa annual conference in Des Moines. Speakers include Larry Yee, who is working with the USDA to develop a national network of sustainable, local food systems; and Jim Ennis from the Midwest Food Alliance that has certified 65 farms in Minnesota, Wisconsin and North Dakota.

February 19 – *Renewing the Countryside* program, 7 p.m., Reiman Gardens, Ames. The program will feature many of the images and people highlighted in the book.

March 3 – Pesek Colloquium on Sustainable Agriculture, 3 p.m., Oak Room, Memorial Union, Iowa State University, Ames. Daryll Ray from the Agricultural Policy Analysis Center at the University of Tennessee will present the annual address.