The Importance of "Agriculture in the Middle" Farms to the Future Viability of New Jersey Agriculture

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Industry Overview

- **Small Farms - Under $250,000 in gross sales**
  - 9,641 farms
  - 93% of farm operations
  - 61% of farmland
  - 16% of sales

- **Large Farms – Over $250,000 in gross sales**
  - 686 farms
  - 7% of farm operations
  - 39% farmland
  - 84% of sales
Industry Overview – Digging Deeper

• Smallest of New Jersey's Farms - Under $10,000
  – 6,954 farms
  – 67% of farm operations
  – 26% of farmland
  – < 1% of the state’s farming output.

• Largest Farms – Over $1,000,000
  – 190 farms
  – 2% of farm operations
  – 14% of farmland
  – 59% of farming output
Ag in the Middle

- AIM - $250,000 - $1,000,000 in sales
- 5% of all New Jersey farms (496 farms)
- 25% of farmland acreage
- 32% of total cropland
- 25% of market value of agricultural products sold
- 21% of estimated market value of farm land/buildings
- 21% of estimated market value of machinery/equipment
Trends in AIM Decline

- 1987-2007 - dramatic decline in percentage of AIM farms as component of New Jersey agriculture, 10.3% to 4.9%.

- The trend in a declining AIM base is not just a New Jersey issue, but a regional and national issue as well.

- All Northeast states share similar percentages of farmers in the middle within a consistent band of 24-35%.

- Many Northeast AIM farms had no sales growth, or negative sales changes 2002-2007.
Why be Concerned about AIM Farms?

• Core driver of agricultural infrastructure in the state

• Often lack the size to compete in economies of scale-driven commodity markets

• Lack resources needed to effectively intensify or diversify into higher-margin activities

• Typically operate in the space between the vertically integrated commodity markets and the direct markets
Importance of Critical Mass

• A decline in viable AIM producers means a loss of critical mass in NJ agriculture.

• Loss of critical mass impacts ag infrastructure
  – "Impermanence syndrome" is one symptom

• Agricultural infrastructure and input networks need a critical mass of high-demand consumers to remain viable.

• When these supplier networks leave, agriculture becomes even less competitive, less efficient, and future viability declines even more.
Issues Contributing to Vulnerability of AIM Farms

• Management and capital intensity requirements for AIM farm owner-operators is too great for most.

• Economic dislocation caused by technological innovation and consolidation of wholesale buying power to fewer enterprises –globalization of marketing system

• Opportunistic buying and selling of product (the current model for the majority of AIM farms in NJ) is a thing of the past.
Issues Contributing to Vulnerability of AIM Farms

• The myriad of costly labor, occupational, environmental, and land use regulations are paralyzing.

• **Cost-Price Squeeze** - farms caught unprepared, or unable, to respond when production input costs rise dramatically, but agricultural market forces make it impossible to increase prices to match rapidly rising costs.
Income Alternatives

- Direct marketing and agritourism – Strongly supported strategies for bolstering farm income

- While these may be viable options for some farms, they are **not a panacea for all**.

- Direct sales rose significantly from 2002-2007: 57%, compared to 32% for agricultural revenues generally.

- However, even after rising 57%, the $31.1 million is still only 3.2% of Jersey farm revenues.

- In reality, most growth not from direct marketing, or increasing small farm numbers, but from larger farms producing more.
NJAES Programs

• Farm Financial Analysis using FINPAK
• High Tunnels research and extension demonstration
• Rutgers NJAES Food Innovation Center
• Cooperatively owned post harvest handling facilities
• Agritourism development and direct marketing programs
  Visit NJ Farms! website
• Farm winery transition and development
• Food Safety GAPs
• NJAES R&E breeding and production improvement programs
• Rutgers IPM program
AIM – A State Priority

• Loss of AIM farms, which play a critical role in the supply chain, will threaten the infrastructure needed to support the thousands of small farms that now make up the majority of agricultural operations in the state.

• We believe that the greatest threat to maintaining New Jersey agricultural viability is the vulnerability of AIM farms and farmers.

• Given the critical importance of this sector to NJ agriculture, it should be one of the strongest program priorities and opportunities for NJAES and the NJDA in the coming years.
A Time to Act (Again)

- 1950s/1960s: Hughes' Farmland Assessment Committee
  - Constitutional amendment to allow differential assessment of farmland

- 1970s: Blueprint Commission on the Future of NJ Agriculture

- 1980s: Grassroots: An Agriculture Retention and Development Program for New Jersey
  - Set stage for Agriculture Retention and Development Act & Right to Farm Act
A Time to Act (Again)

• **1990s: FARMS Commission**
  – Led to 1998 amendments to Right to Farm
  – Influenced farmland preservation funding
  – Focused research agenda on various policy, farm management, agricultural development issues

• **2000s: Agricultural Smart Growth Plan**
  – Prescriptive guidance to incorporate farm retention and development into state and local planning efforts

• **2010s: Aiming for a Viable Agricultural Industry**
  – "Agriculture in the Middle“ farm viability
Getting Started

Goal: Identify the role that AIM farms plays in the overall structure and viability of New Jersey agriculture.

- Conduct comparative analysis - financial performance, returns on capital and land, commodity production, and operator demographics.
- Identify clusters of AIM farms in New Jersey
- Examine changes in the agricultural supply chain over time
- Examine role of AIM farms in the agricultural supply chain.
Getting Started

• Comparative examination of AIM farms’ participation in farmland preservation

• Assess adaptations of AIM farms in production, technology and marketing strategies compared to other segments of the industry.

• Identify and develop programs through RCE and NJDA that can enhance the long term viability of AIM farms.
"If present trends continue, these farms, together with the social and environmental benefits they provide, will likely disappear in the next decade. [In addition] the public good that these farms have provided in the form of land stewardship and community social capital will disappear with them."