

# CRS Report for Congress

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## Farmers' Markets: The USDA Role

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### Summary

Congress and the U.S. Department of Agriculture (USDA) have created a number of programs aimed at promoting farmers' markets. Policy issues include the extent to which the programs contribute to the markets' success, and the need if any for additional governmental support. This report will be updated if significant developments ensue.

Farmers' markets are among several forms of direct farmer marketing — which also include roadside stands, Community Supported Agriculture (CSA), pick-your-own farms, and direct sales to schools — becoming increasingly popular with small producers and consumers, according to USDA. Farmers' markets in the United States increased by 111% from 1994 to 2004, to more than 3,700. In an August 2000 study, USDA found that 66,700 farmers were selling at farmers' markets; 19,000 of them were relying on such markets as their sole outlet. The study found that annual retail sales totaled \$888 million, with 2,760,000 customers spending, on average, \$17.30 per week at farmers' markets.<sup>1</sup>

### USDA Programs<sup>2</sup>

The **Marketing Services Branch (MSB)** at the Agricultural Marketing Service (AMS), USDA's lead agency on farmers' markets, provides primarily technical assistance and information, focusing on feasibility studies, research, and other non-grant assistance for farm marketing activities. AMS often arranges \$10,000 to \$50,000 in cooperative agreements with states and other agencies, farm cooperatives, educational institutions, and

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<sup>1</sup> USDA, Agricultural Marketing Service (AMS), various reports, including *Farmer Direct Marketing Bibliography — 2001*, March 2001; *U.S. Farmers' Markets — 2000: A Study of Emerging Trends*, May 2002.

<sup>2</sup> Sources include information provided through the Northeast-Midwest Institute website at [<http://www.nemw.org/agriculture.htm>], USDA materials, and interviews with government and private farm marketing experts. In January 1998, the National Commission on Small Farms, in *A Time to Act*, described the status and needs of U.S. small farmers. Several of its 146 recommendations focused on ways to improve USDA support for direct marketing, including farmers' markets. USDA says it has adopted a number of the recommendations. See the Small Farms website at [<http://www.usda.gov/oce/smallfarm/>].

private nonprofit organizations. The legal authority for MSB is primarily the Agricultural Marketing Act of 1946 (7 U.S.C. 1621 *et seq.*).

Using its authority under the 1946 act, AMS operates the **Federal-State Marketing Improvement Program (FSMIP)** to provide matching funds to state agencies, primarily for studies and research on innovative approaches to agricultural marketing. A number of projects have focused on direct marketing, including farmers' markets. About 25 to 30 projects are funded annually, with grants averaging \$50,000 each, for a total of about \$1.3 million. The program's website is at [<http://www.ams.usda.gov/tmd/fsmip.htm>].

The **Farmers' Market Promotion Program**, authorized by Section 10605 of the 2002 farm bill (7 U.S.C. 3005), requires USDA to provide grants to establish, improve, and promote farmers' markets and other direct marketing activities.<sup>3</sup> Authorized funding is at such sums as necessary through FY2007. Congress first appropriated money in the FY2006 USDA appropriation (P.L. 109-97), designating \$1 million for the program. Farm cooperatives, nonprofit and public benefit corporations, local governments, economic development corporations, regional farmers' market authorities, and others designated by USDA are eligible for grants of up to \$75,000 (in FY2006). Funds cannot be used for buildings. USDA also is required to annually survey direct marketing activities, and to work with states, Extension agents, producers, and market managers. See also [<http://www.nemw.org/farmersmarkets/farmers.html>].

The **WIC Farmers' Market Nutrition Program (FMNP)** was first established by Congress in 1992 under the special supplemental nutrition program for women, infants and children [WIC; 42 U.S.C. 1786(m)] to provide fresh, locally grown produce to low-income WIC applicants and recipients and to expand their use of farmers' markets. In 2003, for example, 2,345 farmers' markets and 1,078 roadside stands were authorized to accept FMNP coupons, according to USDA. The program is administered by USDA's Food and Nutrition Service (FNS) through state and tribal agencies. A 30% agency match is required for administrative expenses; benefits are now entirely federally funded. In 2003 nearly 2.4 million clients in 46 states received FMNP coupons (in addition to regular WIC benefits). The law limits each recipient's federal FMNP benefit to no more than \$30 annually. Congress has recently provided about \$20 million annually for the program, now funded through the FNS commodity assistance account. For information on this and the senior program (below), see [<http://www.fns.usda.gov/wic/DEFAULT.HTM>].

The **Senior Farmers' Market Nutrition Program** was authorized through FY2007 by Section 4402 of the 2002 farm bill (7 U.S.C. 3007). With \$15 million annually in mandatory Commodity Credit Corporation (CCC) funding, the program in FY2005 provided grants to 47 state and tribal agencies to provide an estimated 800,000 low-income seniors with coupons to exchange for fresh produce at approximately 4,000 farmers' markets, roadside stands, and community-supported agriculture programs. The minimum coupon value is \$10 (there is no statutory benefit cap).

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<sup>3</sup> Section 10605 revives and amends the Farmer-to-Consumer Direct Marketing Act of 1976 (7 U.S.C. 3001 *et seq.*), which had expired at the end of FY1978.

**Community Food Projects Competitive Grants** are one-time matching grants of \$10,000 to \$300,000 to eligible nonprofit organizations for various community food projects; those linking low-income populations to fresher foods through farmers' markets have qualified as activities. The program is administered by USDA's Cooperative State Research, Education and Extension Service (CSREES). The grants were first authorized by the 1996 farm bill which amended the Food Stamp Act of 1977 (7 U.S.C. 2034) and were extended through 2007 by the 2002 farm bill, with up to \$5 million annually authorized. In FY2004, for example, USDA awarded \$4.6 million in grants. Information can be accessed at [<http://www.csrees.usda.gov/ProgView.cfm?prnum=4706>].

Under Section 4403 of the 2002 farm bill (7 U.S.C. 7131 note), USDA is permitted to operate a **Nutrition Information and Awareness Pilot Program**, in cooperation with states, to increase consumption of fresh fruits and vegetables. The pilot could operate in up to five states for up to four years. The federal match is limited to 50%. States would use funds to assist public and private entities in conducting demonstration projects, possibly including farmers' markets. Although Congress authorized \$10 million annually for the program, no funds have been appropriated yet. A more detailed description is available at [<http://www.nemw.org/farmersmarkets/nutrition.html>].

**Value-added producer grants** offer another potential resource for farmers' markets that sell value-added products (for example, organically grown produce or preserves from locally grown fruits). Matching funds of up to \$500,000 can help producers, cooperatives and commodity groups earn more from farm products; grants may be used for feasibility studies, business or marketing plans, and/or obtaining capital for a value-added venture. Administered through USDA's Rural Business-Cooperative Service, the value-added program was established under the Agricultural Risk Protection Act of 2000 (7 U.S.C. 1621 note). Section 6401 of the 2002 farm bill required USDA to spend \$40 million in CCC funds annually. However, Congress recently has been funding the program using discretionary (not mandatory CCC) spending, providing approximately \$15 million in each of FY2004 and FY2005, and \$20.5 million in FY2006. For more information, see [<http://www.rurdev.usda.gov/rbs/coops/vadg.htm>].

The **Outreach and Assistance for Socially Disadvantaged Farmers and Ranchers Program**, first authorized by Section 2501 of the Food, Agriculture, Conservation, and Trade Act of 1990 (7 U.S.C. 2279), requires USDA to provide outreach and technical assistance to socially disadvantaged producers, defined as members of a group that has been subjected to racial or ethnic prejudice. Section 2501 includes competitive grants of up to \$100,000 per year to community-based and tribal organizations and universities to help such producers acquire, operate, and retain farms and ranches through the delivery of outreach and technical assistance; help with direct marketing can qualify, a USDA official said. Recently, Congress has provided about \$6 million annually. See [<http://www.usda.gov/agency/outreach/2501prj.htm>].<sup>4</sup>

**Section 32** of the act of August 24, 1935 (7 U.S.C. 612c) is a USDA permanent appropriation equal to 30% of annual U.S. customs receipts. This money, plus up to \$500 million in any unobligated prior-year carryover funds, must be used for encouraging

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<sup>4</sup> See also CRS Report RS20430, *The Pigford Case: USDA Settlement of a Discrimination Suit by Black Farmers*, by Stephen R. Viña and Tadlock Cowan.

agricultural exports and/or domestic consumption of farm products, or for reestablishing farmers' purchasing power. USDA has much discretion in deciding how to achieve these Section 32 objectives, and therefore can, and periodically does, use portions of each year's available funds for a variety of purposes. Though Section 32 has not been used to fund farmers' markets, it conceivably might be. Currently, most Section 32 funds are transferred to USDA's child nutrition account (of an estimated \$6.5 billion available for Section 32 in FY2006, about \$5.2 billion will be used to help pay for child nutrition). Much of the rest of the money is used for direct purchases of U.S. perishable agricultural commodities, which then are diverted to domestic food programs. Also, amounts totaling several hundred million dollars in a Section 32 "contingency reserve" traditionally are tapped to buy unanticipated surpluses of meat, fruits, and vegetables during a fiscal year. See CRS Report RS20235, *Farm and Food Support under USDA's Section 32 Program*, by Geoffrey S. Becker.

The **Agricultural Management Assistance (AMA)** program requires CCC spending of \$20 million annually through FY2007 to help develop new risk management approaches for producers in 15 states traditionally underserved by federal crop insurance. Currently authorized under the conservation title of the 2002 farm law (7 U.S.C. 1524), AMA might be a source of support for direct marketing, as market diversification, value-added, and organic farming activities are (along with conservation) among the types of eligible uses. See [<http://www.nrcs.usda.gov/programs/ama/amafacts0905.pdf>].

USDA's **Commodity Credit Corporation** is a government-owned corporation that can borrow up to \$30 billion at any one time from the U.S. Treasury. The CCC mainly is a financing mechanism for farm bill programs such as commodity price and income supports, agricultural conservation, export subsidies, and other mandated authorizations. Such other mandated authorizations have included programs like the senior farmers market nutrition program and the AMA program, discussed above. However, the permanent law establishing the CCC also assigns it a variety of standing powers (15 U.S.C. 714 *et seq.*), including to "make available materials and facilities required in connection with the production and marketing of agricultural commodities" and to increase domestic commodity consumption "by expanding or aiding in the development of new and additional markets, marketing facilities, and uses for such commodities." Farmers' markets traditionally have not been a CCC-funded activity but conceivably might be. For CCC background see [<http://www.fsa.usda.gov/cc/default.htm>].

## Non-USDA Resources

The **Health and Human Services (HHS) Department** funds programs through states (totaling about \$4 million in FY2005) that coordinate food assistance resources and help low-income communities with child nutrition and with other food needs. HHS has said that farmers' market promotion is an eligible activity. Other potentially helpful programs are in the **Department of Housing and Urban Development**; the Commerce Department's **Economic Development Administration**; and the **Small Business Administration**. See [<http://www.nemw.org/farmersmarkets/federalprograms.html>].

Most states, usually through their departments of agriculture, are active in direct marketing, including farmers' markets. The AMS and other farmers' market websites

have links to the states. See also the National Association of State Departments of Agriculture website at [<http://www.nasda.org/nasda/nasda/index1.htm>].

The **North American Farmers' Direct Marketing Association (NAFDMA)** offers conferences, farm tours, workshops, newsletters, publications and a website for farmers, Extension agents, and market managers (see [<http://www.nafdma.com/>]). At its February 2003 conference in North Carolina, NAFDMA announced the **Farmers' Market Coalition**, "to take farmers' market development to the next level," according to FMC (see [<http://www.nafdma.com/FMC/>]).

The **National Association of Farmers' Market Nutrition Programs** represents groups in the states, territories, and tribal organizations that operate the WIC or senior farmers' market nutrition programs. See [<http://www.nafmnp.org>].

**Resources for Farmers' Markets** is a website to "support the development and expansion of farmers' markets across the United States." Hosted by the Northeast-Midwest Institute, a Washington-based nonprofit that covers economic, environmental quality, and regional issues for Northeast and Midwest states, the website is located at [<http://www.nemw.org/farmersmarkets/>].

The **Sustainable Agriculture Coalition** has been among the small farm advocacy organizations that have lobbied Congress to expand and fund farmers' markets. It is located at 110 Maryland Ave., NE, Ste. 211, Washington, DC 20002.

## **Observations on Farmers' Market Support**

USDA and farmers' market advocates believe that direct marketing provides agricultural producers with improved profit-making opportunities. They offer other benefits as well. The Resources for Farmers' Markets website asserts, "Farmers' markets provide communities with fresh, nutritious, affordable, and local farm products and enable farmers to increase profits by selling directly to consumers. Consumers enjoy the opportunity to buy high-quality, fresh products directly from the farmers at competitive prices. Such markets also foster community and food linkages by bringing neighbors together, helping children to learn where their food comes from, and allowing families to talk directly with the farmers and ranchers who grow their food." Also, advocates assert, the WIC and senior farmers' market programs put more fresh fruits and vegetables into low-income diets. Farmers' markets sometimes are planned as an integral element of an overall community redevelopment project, as a way of drawing shoppers back to declining downtown areas, for example.

Some contend that many farmers have difficulty starting or joining a market, at least partly because public support has been inadequate. For example, advocates contend that, although AMS is involved in direct marketing, much of its work is reactive and not well coordinated. They add that AMS has a relatively short history with farmers' markets; until fairly recently, it has emphasized wholesale markets. AMS and other agencies lack a coherent strategic plan for assisting localities with planning and establishing markets, or for helping farmers learn about, access, or start markets, these advocates contend.

Advocates argue that little if any money is available to finance needed infrastructure for markets (such as buildings, parking, marketing space, etc.). Another lack is money for the local staffing which is needed to organize, promote, and operate successful markets, they believe. Advocates also assert that access to markets by low-income consumers has been hampered by inadequate financial support for programs that use WIC and food stamps as vehicles. For example, total requests for the two farmers' market nutrition programs have exceeded available funding.<sup>5</sup>

Although supportive of farmers' markets, some governmental and private marketing experts question whether additional federal intervention is needed. They note, for example, that even with arguably limited federal programs and funding, the number of farmers' markets increased by 111% from 1994 to 2004. They contend that farmers' markets have succeeded precisely because they have been conceived, planned, and launched locally by producers themselves, often with the assistance of local agencies. USDA noted in its 2000 study that markets have become more popular mostly due to growing consumer interest in obtaining fresh products directly from the farm. Skeptics of expanded government intervention say this is evidence that the private market (i.e., consumer demand) can create the most auspicious conditions for new farmers' markets and that, in fact, is what is occurring. AMS's 2000 survey also documented that most markets were self-sustaining (fees charged covered all expenses), skeptics note, adding that only 18% were not self-sustaining; they were primarily supported by various government agencies (city, county, state, and federal), business groups, nonprofit organizations, individual donations, and grants.

If Congress or the Administration were to increase the amount of funds devoted to farmers' markets, the money would have to be redirected from other priorities and programs, analysts note. Further, some policymakers and anti-hunger advocates have questioned whether the administrative costs of operating farmers' market nutrition programs are justified by the relatively low level of benefits low-income persons receive through these programs; they have suggested that the money might be better spent by improving traditional food assistance program benefits under food stamps and WIC. Put another way, should the emphasis of added resources, if any, be on developing market infrastructure or on providing improved benefits for those who shop there?

It might be argued that the level of support for farmers' markets is modest relative to the annual spending Congress devotes to traditional food assistance programs and to farm commodity support. Moreover, the farmers' market nutrition programs have broader goals than simply feeding low-income people, supporters point out. Proponents believe that a relatively small amount of additional funding for these programs, and for promoting farmers' markets generally, could constitute a valuable public investment in smaller-sized farm businesses. Nonetheless, skeptics argue, no compelling case has been made that more legislative authority, new Administration initiatives, or additional money would significantly improve the progress that already is being made in direct marketing. Such skeptics say they are concerned that more federal intervention might instead undermine the local and market dynamics that have fueled the markets' success.

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<sup>5</sup> Blalock, Phil, Executive Director, National Association of Farmers' Market Nutrition Programs, January 3, 2006, telephone communication.