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Some Opinions on Farmer Options and Obstacles to Adopting Organic Agriculture

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I appreciate the opportunity to think about options and obstacles to adopting organic agriculture. I am the Director of Government Relations for the Indiana Farm Bureau. I want to emphasize that I will be expressing my opinions today and look forward to talking with you more later.

I want to quickly cover a few things most of you already know. Having been a farmer, and for the last 10 years renting out my land, it really strikes me how difficult it is to keep up with changes on the farm, now more than ever. Things have changed so drastically. Even in the last ten years we have seen a range of issues affecting farming, including: (i) declining farm numbers; (ii) competition for limited resources; (iii) specialized production; (iv) off-farm employment and the influence of part-time farming; (v) consolidation everywhere that has really played a part in everyone's life, especially in agricultural production; and (vi) production technology.

I want to focus on a couple of things quickly so that you know where I'm coming from in terms of traditional, Midwest farming. Working for the Farm Bureau, I come about as traditional as they get. We have had steadily and substantially increasing yields over the last 30 years. Corn yields have increased almost 60% since 1975, and we pretty much see the same increases for soybeans, cotton, and wheat. I wanted to emphasize this because I want you to have in your mind what people are thinking when they are growing corn and, at least in Southern Indiana where I'm from, selling it for \$1.50/bu. It is pretty tough! It is hard to grow enough at that price.

I want to also mention a few government influences on organic and the farm sector. This is not an exhaustive list. First, there are the risk management programs that were mentioned this morning. Then there is crop insurance and revenue insurance, and obviously the difficulties with that, even more so with organic production. There are disaster assistance programs, and as you know we have had so many of those lately and these have meant a lot to traditional, commercial farm operations. The tax issues are certainly an issue. Most especially, I want to mention the farm programs, including the commodity price safety net we have right now: the direct payments, counter-cyclical payments, and the marketing loan or LDP, which everyone in the Midwest is so interested in when prices are low because you get the LDP on all the bushels you produce. Finally, the fruit and vegetable restrictions (FAV) that were written into the 1996 Farm Bill also represent possible challenges. I won't go into detail about these but I know that some of the people in the room probably have dealt with some of those problems.

On the other hand, the Conservation Security Program (CSP) is something which appears to offer the organic movement a great deal of opportunity. But, as you all know, it has been under-funded. In fact, it has been hardly funded at all. It is also very limited and has had problems with sign-up. Some of these problems probably go back to the funding, since

obviously you cannot have too many people go into it when the funds are so limited. However, it does represent some potential. Finally, I wanted to mention the Conservation Reserve Program (CRP). Especially when you look at the transition period for organic, the CRP gives you an opportunity to gain during the three-year transition. Of course, recently we have had a significant amount of acreage coming out of CRP between 2007 and 2010 that can be re-enrolled now, and that will be a little bit of a factor there.

Most farmers are still losing ground, and I mean that financially. The USDA-NASS statistics on prices received and prices paid by farmers demonstrate the cost-price squeeze that farmers face. So, the question is: Why do farmers continue to do it? We heard a bit about tradition this morning and there is a lot in the concept of tradition. I know this myself as a farmer, and certainly as I talk to people, you can see it in so many ways. It really is a big factor. Another issue is that most of us tend to like the familiar, especially farmers, even if it is the devil we know. We would rather stick with the familiar as long as possible. Farmers also generally tend to be optimistic that prices will increase at some point. Big yields are also appealing. I know I still enjoy getting in the combine with my friend who farms my land and watching as that corn just rolls into the bin. And, then there are just those that like steel and black smoke. I know some guys who like to get out there on their equipment and just do something in the dirt, even if it isn't something very productive for them.

So, the next question is: why don't farmers try something new like organic? You have heard some of these points already. The first is the transition period. As I talk to people, the transition period is certainly a deterrent to people thinking about trying organic. Tillage is also a huge factor. A lot of people, especially where I live, have farms that are no-till and people just are not used to cultivating any more. You just don't find rotary hoes around anymore, unless it is on an organic farm. Another key issue is livestock. There just isn't much livestock left around on most farms and as you begin to look at organic and forage, it is back to how agriculture was in the late 1950s and early 1960s when we had general farms, livestock, forage, and you did the crop rotation. That is essentially what you are talking about. Today, the livestock isn't there and the fences are not there.

I cannot say enough about the labor issue as well, and especially as you relate it to the others. As you look at tillage, livestock, and a few of the other things I'll mention, the labor that is required for that can be a deterrent. I think back to the early 1960s when we were doing soybeans without herbicides on our farm. I spent a lot of my afternoons out in fields pulling Johnson grass. That is some of what we are back to here. The amount of labor it requires — well, first of all, most farmers are not used to doing it. Secondly, their kids are not excited about doing it.

Other critical issues include: (i) weed and insect pressure, which you've already heard a little bit about today; (ii) fear of low yields; (iii) limited research to help make organic production successful, and certainly I think there should be more; (iv) segregation and handling issues that you have heard mentioned — the issue here is that it takes a different type of management than many people are used to; and (v) lack of established markets.

There are some other income alternatives, besides trying to increase income on the farm, for farmers as well, and these can compete with farmers' interest in moving to organic. In a lot of the Midwest, we are blessed to have a great deal of good off-farm employment opportunities. These jobs spread the risk in that it is something to fall back on and is income insurance, and a lot of these jobs are taken for the health care and insurance benefits.

I wanted to talk a bit about segment opportunities for farm income type — high sales, low sales, lifestyle, and retirement. If you look at the data,

in the retirement segment, farm income is negative. It is also negative in the lifestyle farming. I am essentially a lifestyle farmer — with off-farm income being our income source. In low-sales, still a lot of the income on the family farm is coming from off-farm sources. You have to get into the high-sales farms before a good deal of the income is coming from farm sources. Yet, there is still a good amount of money coming from off-farm sources as well. I also wanted to look at the different types of farms, farm numbers, and production on these farms: moving across the graph from limited resource farm across to retirement, residential, lower sales, higher sales, large farms, very large farms, and non-family corporate farms. The last four categories (high sales, large farms, very large farms, and non-family corporate farms) are where the mass of the agricultural production gets done in our country. In my opinion, however, there is a great deal of opportunity and interest for organic in the limited income and limited residential farms, and then especially in the lower sales farms as well as the higher sales farmers, which comprise probably close to 40% that might be interested in organic production in some way.

Let's talk a bit about organic opportunities. There are many consumers willing to pay more for food. There are many farmers interested in the product concept. In addition, there are many farmers that want to gain more control. This is something I hear again and again as I talk to farmers. As consolidation has increased, these farmers feel like they have lost control. Something that seems to be driving an attitude toward looking at organic is that some land owners, and it is limited, don't just want the highest dollar that they can get for the land. These land owners are interested in encouraging organic and bearing the possible loss and increased risk that might go along with organic during the transition period.

The one point I want to make, and I don't want to emphasize the point too much, but I did want to raise the point. There is generally a good attitude among non-organic farmers about organic. However, if I go to a meeting in the country after some public statement has been made about organic products being much healthier than conventional products, it is all I will hear about: it sets them off. It has absolutely driven a wedge between organic and non-organic producers and I would just suggest that we have a dual structure rather than a dueling structure.

Finally, I believe, from what I see in Indiana, the thought of organic can sustain itself now. It has reached critical mass. I will tell you as traditional as I am, I have contemplated organic. On the 100 acres I live on, I have 60 in traditional corn and soybeans (rented out), 25 in woods, 5 in farmstead, and 10 in hay that my nephew has been making hay off of for the last four years. Last year, my nephew said, "You know, Uncle Kent, we could probably get a little more hay if we put some fertilizer on that." I said, "Yeah, Kyle, I know we probably could but we might want to do something else with that at some point. I am kind of toying with maybe doing something organic with that. So, just get what you can off that now." It is something I have been thinking about.

Again, I appreciate the opportunity to have been here with you and to have shared some of my thoughts.