

Vermont Housing and Conservation Board
Vermont Farm Viability Enhancement Program

DESCRIPTION OF GOALS AND STRUCTURE

September 2, 2003

Section 1: Overall Goal

The overall goal of the Vermont Farm Viability Enhancement Program is to enhance the economic viability of Vermont farmers by offering financial and technical services and other forms of assistance to which eligible farmers can voluntarily apply.

The Program will emphasize development of sound business plans in conjunction with technical advice from a team of advisors selected to match each individual farmer's needs. Once business plans are put into place, further technical assistance needs may be identified, or participants can be referred to financing services, grant sources, or other programs that may be of assistance in maintaining profitability.

Section 2: Programmatic Goals

1. The most immediate programmatic goal is to develop administrative capacity: (1) to solicit providers who can deliver the services needed to implement the overall goal, (2) to enter into grant agreements and contracts with service providers, (3) to monitor grantees and contractors and hold them financially accountable, and (4) to evaluate the Program's effectiveness and develop recommendations for an advisory board or for the governing body.
2. A primary goal will be to find contractors or grantees who can either offer farm business management advice directly to farmers, or who can coordinate the formation of teams led by independent farm business management consultants. A concurrent programmatic goal will be to facilitate the subcontracting of technical service providers who are well qualified in a variety of fields of expertise, and who will be able to deliver practical advice to farmers in a manner that will inspire confidence and trust.
3. A further goal will be for the Farm Viability Enhancement Program to evaluate the business planning and technical assistance needs of Vermont farmers, and using this information and information gleaned from similar programs around the country, to implement one or more service models that will deliver the assistance in the most effective and efficient manner. Direct coordination of a small number of on-farm teams by the Farm Viability Enhancement Program (without reliance on outside organizations) may be one model chosen.

Section 3: Program Recipients

1. Dairy Farmers. The Program recognizes that the agricultural sector with by far the largest economic impact in the state of Vermont is dairy, and therefore a major goal of the Program is to develop services that will be useful to dairy farmers. The Program also recognizes that the prolonged depression of milk prices has put many dairy farms at a critical juncture, forcing major business decisions and operational changes, and ultimately requiring some farmers to quit dairy and/or to sell their farms.

The Program will emphasize providing services to dairy farmers who are committed to agriculture but who see themselves in transition. Typically these are medium-sized, conventional family dairy farms that have been well-managed but are finding it ever more difficult to compete in the current price situation.

The Program will assist dairy farms in all kinds of transitions without bias for large or small size, conventional or organic, specialized or diversified. The Program thus recognizes that there is no one answer for dairy farm profitability, and that each farmer's business decisions will be influenced by a variety of factors—physical (e.g., soils, land base), financial (debt load, equity), personal (age, health), and options for marketing and processing, as well as less tangible factors such as temperament and tradition.

2. Fruit and Vegetable Growers. While Vermont's apple industry has declined due to foreign price competition, it appears that vegetable and ornamental production has increased, especially in the area of diversified, small scale, and locally marketed operations. These farms are often labor intensive, and are most successful on loamy stone-free soils with a source of irrigation, and in areas that are close to communities with established farmers' markets or with potential for customer prepayment plans (community supported agriculture).

Besides normal business planning, the technical needs of this sector may include advice in crop production, soil and water management, disease and insect control, general marketing, market niche development, gaining organic certification, labor management, and processing.

3. Livestock Producers (Nondairy). Much of Vermont's agricultural land is difficult to till because of slope, drainage, stoniness, or other reasons. However, this type of land can be readily pastured by livestock. The major problem with commercial livestock production in Vermont has been low prices in comparison to the costs of production. Therefore, successful enterprise in this sector is almost wholly dependent on direct marketing, nontraditional markets, or value-added products. Lack of processing infrastructure has been an impediment to profitability in this sector.

The most obvious livestock choices for Vermont include cattle (beef or dairy replacements), sheep, goats, hogs, and poultry. Technical needs of this sector are business planning, market development, animal health, and assistance in developing on-farm processing or manufacturing. Many producers have found market potential in leaner, grass-raised, and "natural" or organic meat and poultry products that command a premium price. Technical assistance to producers that will better enable them to tap into this market will be a key focus of the Program's efforts in this sector.

4. Other Farmers. The above list is not intended to be exhaustive, either in terms of farming category or type of service to be offered. The Program will be designed to respond to technical assistance needs as they arise, either in response to farmer demand or input on program design solicited from farmers and from an advisory board.

Some sectors of Vermont agriculture do not currently need technical services to the same extent as the sectors listed above. The reasons may relate to the nature of the enterprise itself, or to the existence of commodity organizations with highly developed capacity to deliver

services. These sectors will not be primary targets for the Program at this time. Examples of sectors that will not be primary targets include maple, Christmas trees, ornamental tree nursery, and equine agriculture.

The Program will not target farms that have already availed themselves of a full range of technical assistance, or that have reached a level of management expertise, including business planning, that could be considered exemplary.

The Program will not target farms with a long history of poor management, farms with repeated environmental or regulatory infractions, or farms in foreclosure, unless participation in the Program holds a reasonable chance of correcting these problems.

Section 4: Outcome Measures

A variety of outcome measures will be used to assess the Program's effectiveness. During the first two years of the Program, the primary measures will be:

1. Quantitative measures. (a) number of farms receiving technical services; (b) number of completed business plans approved by Program staff; (c) number of farms reporting achievement of at least one goal of their business plan; (d) to the extent feasible during the first two years, profitability measures that respect farmers' confidentiality but that may include, as appropriate, any or all of the following: annual farm tax returns, annual balance sheets, production records, product quality records, etc., and (e) other management tracking indices, such as systems based on following several key financial indicators over time.
2. Qualitative measures. (a) farmer interviews or surveys to determine changes in family well-being, quality of life, financial stress, and attitude toward the farm business; (b) financial and technical service provider interviews or surveys to determine farmer receptiveness, skills or knowledge imparted, successful improvements in communication, success in removing perceived barriers to profitability, etc.

After the first two years it may be possible to gather additional quantitative information such as longer-term changes in net farm income and per unit production, development of market niches, decrease in production costs, improvements in animal health, financial restructurings, intergenerational transfers, etc. Given the many factors affecting a farm's financial well being, it may be difficult—without commissioning a statistically valid research project—to determine which changes are the result of the Viability Enhancement Program, but readily observed changes in the financial status of participant farms should be tracked by the Program, as this information may become useful in the evaluation process.

At the end of the first two years, the Program's advisory board will closely examine the entire Program's structure and the scope and effectiveness of its services, and staff will prepare a report to the VHCB Board. The advisory board, either at the end of the two years, or sooner, might consider the expansion of the Program to include direct or indirect grants to farmers for the purpose of contributing toward the implementation of elements of their approved business plans. For instance, implementation grants could be combined with conventional financing to allow participants to construct farm buildings identified as needs in the business plans.

Section 5: Overall Structure and Authority

The Program will be housed within the Vermont Housing and Conservation Board (VHCB), which is a public instrumentality of the State of Vermont. VHCB's enabling statute authorizes VHCB to make grants and loans to eligible applicants for the purpose of conserving and protecting Vermont's agricultural land. The statute further describes eligible activities to include activities that "encourage or assist the retention of agricultural land for agricultural use."

Eligible applicants under VHCB's enabling statute are limited to 501(c)(3) nonprofit organizations, municipalities, and certain State agencies. By statute VHCB also has the general powers of a business corporation and may enter into cooperative agreements with other entities and may employ technical experts to carry out the purposes of its charter.

The VHCB Board will have ultimate authority, as governing body, for making disbursements of funds for the Farm Viability Enhancement Program, either in the form of grants, loans, contracts for goods or services, or other disbursements authorized by law. The Board may in its discretion allocate and set aside funds for specific purposes and then delegate to a Board committee, or to staff of the Board the authority to enter into grant agreements, loans, contracts, or other disbursements necessary to carry out the specified Program activities, using the funds thus set aside.

Section 6: Policy Development

Policies of the Farm Viability Enhancement Program will be developed in close cooperation with the Vermont Agency of Agriculture and VHCB will look to the Agency of Agriculture for advice and comment on all Program activities. This relationship with the Agriculture Agency is formalized through the Agency's statutory seat on the VHCB Board, and also through a Viability Program Advisory Board that will be chaired by the Secretary of the Agriculture Agency.

The Advisory Board will initiate the development of all policies governing the Farm Viability Enhancement Program, including any Program eligibility requirements it may deem appropriate, and may make recommendations on adoption of formal policy documents to the VHCB Board.

The Advisory Board may also adopt operational guidelines, including a determination of what constitutes an acceptable business plan, may review program expenditures, evaluate the Program's success, solicit input from Program recipients and Program service providers, and recommend changes in operational structure, operational focus, and service models.

Section 7: Advisory Board

The Advisory Board shall consist of the following eight persons. *Ex officio* members may designate temporary or permanent designees in lieu of themselves.

Ex Officios:

- Secretary of the Vermont Agency of Agriculture, Food and Markets (chair)
- Director of the University of Vermont Extension Service

- Director of the Vermont Economic Development Authority
- Director of the Vermont Housing and Conservation Board

Public members:

- Four Vermont farmers appointed by the Secretary of Agriculture with the advice and consent of the VHCB Board. The four farmer members will be chosen to reflect, generally, the agricultural sectors identified as potential recipients of the Program's services. The farmer members' background and experience may include any combination of conventional dairying, nonconventional or diversified dairying, fruit and vegetable production, nondairy livestock production, or any other agricultural background and experience that is representative of Vermont agriculture and determined by the Secretary of Agriculture to be representative of the types of farms that would most benefit from the Program's services.

The Advisory Board shall meet at times and places selected by the Advisory Board chair in consultation with VHCB staff. The public members will be entitled to mileage reimbursement from VHCB for travel to and from meetings of the Advisory Board.

The Advisory Board may conduct its business informally or may, at the discretion of the chair, adopt a quorum and formal voting procedures.

The Program Coordinator shall provide administrative support to the Advisory Board. Administrative support may include preparation of notices and mailings to the Advisory Board, recording of minutes, arrangement of meeting accommodations, etc.

Section 8: Program Coordinator

The Program will be staffed by a Program Coordinator who is an employee of VHCB. The Program Coordinator will be supervised by the VHCB Agricultural Director. The Coordinator shall also report directly to the VHCB Executive Director. The Coordinator shall also serve as the primary link between VHCB and the Agriculture Agency for all matters relating to the Program.

The Program Coordinator's job description and work plan shall be developed by VHCB staff and shall remain on file at VHCB.

Section 9: Service Models

During the first two years of the Program the service model will primarily consist of grants to or contracts with organizations or entities that are set up either to provide financial and technical services directly to farmers or to subcontract with other individuals or entities to deliver services. In addition, the Program may pilot a model that bypasses organizational grantees. In such a model, the Program Coordinator would assemble teams to advise a selected number of Program recipients, and VHCB would then contract with each individual vendor on each team.

Service providers who receive VHCB funds in the form of grants will be bound by a standard VHCB grant agreement. An attachment to each grant agreement will spell out the award disbursement schedule and grantee reporting requirements, including specified outcome measurement reports that may aid in Program evaluation. Standardized grant reporting

requirements may be adopted by the Advisory Board. The Coordinator may also suggest special grant conditions specific to an individual grant.

Service providers who contract with VHCB shall be bound by VHCB's standard contract procedures.

The delivery of services in group settings, such as farm business management seminars, workshops, or other educational programs designed to complement the Program's overall goal, may be eligible activities within a grant that the Program chooses to fund.

The Advisory Board may also recommend altering the service model to accommodate structural changes in the Program, such as the addition of a program of grants to farmers to aid in the implementation of business plans.