Rural-Urban Interface Issues

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Introduction

Americans are moving to the countryside in unprecedented numbers. They seek the various amenities of open space, relief from congested urban places, and a different lifestyle. Some of the new ruralites scatter themselves throughout the countryside on small (3 to 10 acre) and large (20 to 80 acre) lots. Others move to more orderly subdivisions beyond the urban boundary. All demand the familiar public services of schools, police and fire protection. Retail strip malls are usually close behind. In many places, the rural-urban interface is ragged, disjointed, and ill defined. In others, policy actions have led to a better-defined boundary between country and city.

Farms and other land uses blend well sometimes, but not always. Type of farm and the expectations of the new residents make a difference. There is frequently misunderstanding among people with diverse rural and urban backgrounds — new arrivals do not understand the day-to-day realities of an active farm or the passion with which farmers hold their private property rights. Farmers may not fully appreciate why the non-farmers moved out into the countryside or their expectations about the public responsibilities of land ownership. Both sets of rural residents have rights and obligations with respect to each other. Conflicts do emerge, and these conflicts lead to demands for policy change.

The new rural residents may bring heightened health and safety concerns — water and air pollution from confined animal feeding operations and chemical drift, for example. Other concerns relate more to lifestyle preferences, the various amenity services of open farmland, and competition for location.

The indigenous rural population brings a different set of concerns to the table including congestion, trespass, litter and illegal dumping, new taxation to support growth, and limitations on specific farm practices (e.g. manure spreading, controlled burning, and aerial spraying). Certainly, after the economic damage resulting from wildfires throughout the United States in 2000, fire safety has become a major issue in rural areas. The infusion of new homes onto the rural landscape has reduced the ability of landowners to use prescribed burning to manage land due to liability and health related issues. The reduction in prescribed burns has led to an increase in fuel loads, increasing the risk of more severe fires and the cost of fire suppression.

Environmental problems at the rural-urban interface are not addressed in this paper but are covered by other papers in this series. Focus here is on federal policies designed to guide land use patterns to protect land for farming, encourage provision of farmland amenities for non-farm people, and reduce the incidence of conflict between farm and non-farm people. Further, emphasis is on the federal role and the 2002 Farm Bill.

The Data on Land Use Change

The 1997 National Resource Inventory (NRI) indicates the dynamics of land use change. From 1992 to 1997, just over 11.2 million acres of land were converted to urban uses. One in four of those acres was prime farmland (3.2 million acres). More than 50 percent of the land converted to urban uses can be found in eleven states: Texas (894K acres), Georgia (852K), Florida (825K), California (553K), Pennsylvania (545), North Carolina (507K), Tennessee (401K), Ohio (365K), Michigan (364K), South Carolina (362K), and Virginia (344K).

Some 645 thousand acres of prime farmland are being developed annually. More than 50 percent of this land conversion is occurring in the top 10 states. Texas leads in the annual conversion of prime farmland with 67,000 acres. It is followed by Ohio (42K), Georgia (37K), North Carolina (34K), and Illinois (32K).

The fragmentation of farmland may reduce the amount of economically harvestable land. While the NRI shows that 645 thousand acres are being converted to developed uses each year, the amount of farmland being cut up into uneconomic units is not recorded.

Changing farm structure is one indication of this fragmentation problem. The largest increase in number of farms reported in the 1998 Census of Agriculture was in the category "residential/lifestyle" farms — those grossing less than $250,000 in sales and reporting a non-farm occupation as the primary one for that household. Nearly half of the census farmers in many key farming states (like Ohio, Indiana, and Illinois) report more than 200 days a year working off the farm. Fifty-five percent of all farms report off-farm work. The traditional family farm is increasingly a multi-enterprise operation with off-farm work a significant source of income stability. Far from the trivial, nearly recreational image suggested by the "residential/lifestyle" title, this category of farming might be the mainstream in this 21st century. It represents a degree of blending of farm and non-farm activity at the interface, where farmers depend on outside jobs and more urban people have direct contact with farming. While large in numbers (40 percent of all farms in 1998) and important to land use patterns, these farms account for only about 6 percent of farm product sales. They represent 22 percent of all farm assets and 16 percent of land in farms.

The History of Farmland Policy at the National Level

The primary policy actors in rural land use and farmland protection have been, and will continue to be, state and local governments. All 50 states have some type of farmland protection program. Policy instruments include property tax incentives that reduce farming costs, capital gains taxes and transfer fees to discourage conversion, state and local farmland conservation easement purchase programs, and agricultural zoning. Ag zoning may be "exclusive farm use" zoning that prohibits non-farm uses in agricultural districts. In other cases, and more commonly, agricultural zones are "inclusive" and merely try to discourage conversion with high minimum lot size restrictions. Counties and other local governments typically implement farmland programs as part of local plans within state enabling laws. Growth management programs in several states protect farmland by directing growth away from prime lands and by reducing the uncertainty of development patterns.

National efforts to retain farmland were first taken seriously following the dust bowl in the early 1930s. In 1934, the Natural Resources Board proposed a national scheme for identifying and protecting lands of particular importance to food production through a coordinated system of county farmland plans. The idea never matured. Senator Henry Jackson, of Washington proposed a national system of state comprehensive plans in the early 1970s. The proposal merged with President Nixon's bill to become the "Land Use Policy and Planning Assistance Act of 1973. It was one of several victims of Watergate, and of the continuing general suspicion of federal incursion into what was considered by most to be a state and local matter. Congressman Jim Jeffords of Vermont proposed the National Agricultural Land Policy Act in 1977, building on Jackson's work, to analyze effects of various national development subsidies on rural land use patterns. While this bill disappeared fairly quickly, the energy behind it led to the National Agricultural Lands Study (NALS), co-directed by Mr. Jeffords' former staffer Bob Gray. The NALS carefully documented the pace and pattern of farmland conversion, though there was little consensus (particularly among NALS staff) about the import of those findings. The Farmland Protection Policy Act, a provision of the 1981 Farm Law, required federal agencies to minimize the impacts of their programs on the nation's farmland supply. That program continues — adding information to the policy process. It was really the last significant federal initiative for farmland policy until the Farmland Protection Program contained in the 1996 FAIR Act.

While federal action does not drive U.S. farmland policy, federal initiative has been very important as a source of seed money triggering local action, and also as a source of intellectual energy on the topic. NALS instigated detailed collection and analysis of land use and policy data from throughout the country. USDA support of research and extension programs of the land grant universities has facilitated further study leading to better understanding of land use dynamics. Federal assistance for local infrastructure planning and growth management affects farmland protection. Federal policy makes a difference.

The 96 FAIR Act and Farmland Policy

The 1996 law directs the Secretary of Agriculture to conduct a national Farmland Protection Program to purchase voluntary conservation easements on up to 340,000 acres of "prime and unique farmland." The main focus of this program is to assist state, tribal, or local governments in protecting productive agricultural lands from conversion to developed uses. The federal dollars were available on a matching basis only to states with organized farmland protection programs, and were fully committed within three years. The Natural Resource Conservation Service of USDA administered the program.

Through FY 98, $33.5 million of federal funds were allocated to 19 states, leveraging another $230 million of state and local dollars, and preserving 127,000 acres of farmland on 460 farms by permanently retiring the development rights. Another $30 million was allocated to the Farmland Protection Program through the Agricultural Risk Protection Act, with the most recent announced in January of 2001. Thus, the Farmland Protection Program under the 1996 Farm Law has assisted states, local governments, and private land trusts in carrying out their locally-designed land use programs through the authority to buy selected land use rights from farmers on a completely voluntary basis. Other states have recently enacted their own purchase programs that will make them eligible for any future federal dollars for that purpose.

Options for the 2002 Farm Bill

Certainly, the single greatest impact on farmland use is the profitability of the farming enterprise. Low profitability may discourage people from going into farming, and it increases the incentive (and need) for existing farmers to sell land for the income or operating capital.

Past agricultural policies have not specifically targeted benefits to smaller farmers or those at the margin, but have used payment limitations to reduce the level of assistance provided to large producers. To the extent that federal payments are targeted to maintain the current land use, farmland conversion will be slowed.

In Europe, governments actively engage in policy designed to maintain the landscape with the result that there are three times as many farmers farming one-third as much land as in the United States. While this is a costly endeavor, the maintenance of the rural landscape is an important, highly supported social goal in many European nations. While we are unlikely to immediately engage in a similar set of policies here in the United States, there are numerous possibilities for the new farm bill that would move us in the direction of supporting a desired landscape in which farmland is a multi-service resource. These would include:

- **Continuation and expanded funding for the Farmland Protection Program** as contained in Title III of the 1996 FAIR Act, with the same general terms and conditions. There is a long waiting list of farmers willing to sell development rights. Local and state proposals far outstripped the federal funds appropriated.

- **Inclusion of a special title on the generation and distribution of improved information on the value of farmland amenities and ecological services, and on the performance of alternative local land use policy instruments**. The purpose of the former would be to improve the ability of state and local governments to consider any benefits of farmland protection policy that go beyond the value of commodities produced. There is general recognition that such amenities and eco-services exist, but little evidence of their economic value to weigh against implementation cost. The latter would help local governments consider the impact of policy on land use patterns. Do these policies really make a difference? The federal role would be to improve chances for sound local policy, not to initiate federal action. Research to measure non-commodity benefits of farmland and the performance of alternative farmland protection and growth management policies would be funded on a competitive basis, perhaps through the National Research Initiative of USDA. Funds for educational assistance would be allocated competitively as well, through the Cooperative State Research, Education and Extension Service (CSREES) of USDA.

- **Development of a national data system on actual farmland conversion**, based on real estate records, to augment the National Resources Inventory for state and local policy development. Such data are currently unavailable, or very uneven, among the states.

- **Federal support of other state programs to help attract and retain people in farming**. Farmland protection works only if there are farmers. Special attention could be given to state efforts to link retiring farmers to prospective farmers seeking the farm assets they need to get started. Such efforts exist in about 20 states, involving a database of potential matches for entering and exiting farmers. Another possible model is the Massachusetts Farm Viability Enhancement Program, in which eligible farmers receive financial and technical help in developing additional on-farm enterprises in return for a protective covenant on the land for 10 years. Priority would go to farms at the rural-urban interface seeking to adapt but stay in farming.

- **Implementation of a system of federal incentives for land stewardship,** similar to those in the proposed Conservation Security Act (S.1426). Such a program would be designed to encourage the farmer's protection of land, air and water quality as a part of land ownership.

- **Target a portion of Environmental Quality Incentive Program (EQIP) and Conservation Reserve Program (CRP) funds on farms at the rural-urban interface**. Emphasis would be placed on those farms and attributes of farms that contribute amenity value to the non-farm population.

Consequences of Alternatives

Beneficiaries

Primary beneficiaries of the suggested farmland provisions of the 2002 Farm Bill are state and local policy makers wanting to develop a farmland protection or growth management program, or to improve an existing one. We assume that these officials are responding to demands from constituents that farmland services be protected in some way. Thus, the ultimate beneficiaries would be non-farm people seeking the amenity services of farmland.

Farmers benefit to the extent that they can sell conservation easements in line with their business goals, or be protected from near-by land uses that conflict with farming. Targeted incentives would primarily benefit farmers within or near metropolitan areas.

Taxpayers benefit from better-informed and, therefore, more efficient land use programs. Funds could thus be allocated away from programs that have little effect on land use patterns. Taxpayers also gain from development patterns that are least costly to provide with public services.

Agribusiness firms depending on local farm production would see a more secure future when state and local policy encourages retention of the best farmland and manages the pattern of development. There will always be economic adjustments in agriculture, and no land use program will significantly alter those basic economic forces, but such programs can potentially reduce uncertainty and the pain of adjustment. Successful programs to strengthen economic viability of farms at the rural-urban interface would benefit local agribusinesses as well.

Rural communities that are farm based and those that rely on a mix of farm and non-farm people would gain from an improved system for guiding rural change. Thoughtful, effective land and growth policies help the community adapt to change gracefully rather than being held hostage to ill defined or understood development pressure. However, communities where the farmland is less productive may not be helped by these programs and may experience continued decline. Smaller communities at the interface between rural and urban will have a better chance of retaining the farmland amenity and eco-system services that they value.

Such policies speak directly to those environmental and conservation groups concerned about long-term food sufficiency and sustainability of resource systems. Farmland and growth management programs are clearly not enough to meet the needs of these groups, but they do contribute. Such groups would also benefit from improved land stewardship through any targeted incentives.

Detractors, Those Who May Perceive Loss

Farmland protection and related research and education provisions of the 2002 Farm Bill will worry some interests. Developers, builders, and those who service the construction industry will view these policy actions as both unnecessary and potentially damaging to the development process. To the extent that development rights are acquired, some farmland with development potential will not be available. Removal of some land from the development market may increase the cost of remaining land, thus increasing the cost of housing. These impacts could be analyzed as part of policy performance work proposed above.

Some farmers may feel that any program to redirect the development process will reduce the value of their land. Historically, farmers have seldom been the most enthusiastic supporters of programs to protect farmland. Development potential is an important part of a farmer's asset base. While the Farmland Protection Program merely supports voluntary acquisition of farmland conservation easements, some may fear that more regulatory approaches will follow because of all this attention to the issue. Easements are just the "nose under the tent" — next will be direct incursions into the private property rights of the landowner. In fact, state and local governments may be interested in regulations, and their work could be facilitated by proposed research and education grants.

Property rights groups may oppose any land use planning, farmland protection, or growth management efforts just as a matter of principle. These programs are designed to adjust land market signals and change the pattern of change — considered by some to be inherently unfair and unwise.

Environmental groups have seldom listed farmland protection at the top of their priority list. Some may feel that dollars allocated to purchase conservation easements would be better spent enforcing water quality standards or buying wetlands and other fragile eco-systems. Further, many environmentalists feel that farmers are subsidized too much already and would support more mandatory techniques of land use control in lieu of purchase of conservation easements. Farmland programs are distractions from the real environmental problems needing attention.

Community leaders may be wary of efforts to deflect development, potentially depriving their community of tax dollars. In those rural areas experiencing economic decline for any of several reasons, any development would be welcome. Farmland protection is simply unnecessary. Other policy initiatives and allocation of dollars would be preferable.

Taxpayer groups may oppose further subsidy for farmers, even though directed at land stewardship, and prefer that these actions by farmers be required as part of the responsibility of land ownership.

Conclusions

Farmland protection will be a small part of the 2002 Farm Bill. Other provisions will make more of a difference to farmers and the agricultural community in general. However, this part of the conservation and natural resource package will be important to the range of support necessary for ultimate passage of the legislation.

The federal role in this area will likely continue to be one of support and facilitation of state and local decision-making. The very fact that such a provision is included at all will be an indication of national attention and priority, but with local action.

The gains and losses from such provisions are not dramatic. Purchase of conservation easements will not make or break a local economy, or even meet the full needs of those strongly supporting farmland protection. Federal dollars are only helpful with state and local match and as part of a broader policy process. As with any such legislation, there are many gainers, widely dispersed, with each person experiencing relatively little improvement in their overall well being, while potential losers are fewer, more concentrated, and vocal. Debates on farmland protection programs will continue to be lively.

References and Suggested Readings

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