

Impacts of Values-Based Supply Chains on Small and Medium-Sized Farms

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Abstract

The U.S. agricultural system comprises enterprises of various scales. At one extreme, undifferentiated farm products are traded in commodity markets, where all enterprises need to handle sufficient volume to generate revenue from narrow margins. At the other extreme are direct marketing channels, where farmers interact directly with consumers, typically on a limited scale.

Recently, various marketing entities between these extremes have emerged, providing outlets for small and medium-sized farmers who are too large or otherwise unsuited to sell via direct marketing but too small to compete in commodity markets. These entities regard producers as integral members and differentiate their goods by “values” associated with the production practices, the qualities of the food, or the business relationships along the supply chain to elicit premiums from consumers. Some of these entities have been referred to as “values-based supply chains” (VBSCs).

This USDA AFRI-funded project is designed to better understand, evaluate, and improve the performance of VBSCs as profitable outlets for diverse, small and medium-sized farms. Project

objectives include: (1) analyzing the **current state of knowledge** on Values-Based Supply Chains (VBSCs) and their impacts on farmers; (2) investigating **farmers' perceived benefits and challenges** of participating in VBSCs, their degree of dependence on VBSCs, and their views on the impacts of VBSCs on the viability of their farms and farming practices; and (3) engaging small and medium-sized farmers and VBSCs to **generate and share knowledge** with other farmers, supply chain organizers, research and extension professionals, and policy makers.

The project team has developed an online database of VBSCs with forward and backward supply linkages to specific groups of small and medium-sized farms. The database lists features of VBSCs—including type of business, products, and value claims—and can be used to analyze key trends in VBSCs. A survey instrument has been developed to be administered in early 2017 to a national sample of farmers who supply to VBSCs to learn how and in what ways these farmers participate in VBSCs and to what extent they benefit from their associations.

Our research and outreach efforts address the continuing decline of “agriculture of the middle” by investigating innovative intermediated marketing solutions that allow medium-sized farms to successfully differentiate their products in the marketplace and remain the backbone of resilient food and agricultural systems.

Keywords: agriculture of the middle, mid-scale farms, small farms, values-based supply chains

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