

**Preliminary Performance Review**

---

**Department of Agriculture**  
*Marketing & Development Division*

---

**State-Owned Farms Have Declined to the Point  
Where Alternative Uses for the Land  
Should Be Considered**



**October 2002**  
**PE02-25-257**

**JOINT COMMITTEE ON GOVERNMENT OPERATIONS**

**Senate**

**Edwin J. Bowman**  
*Chair*

**Billy Wayne Bailey, Jr.**  
*Vice Chair*

**Oshel B. Craigo**

**Sarah M. Minear**

**Vic Sprouse**

**House Of Delegates**

**Vicki V. Douglas**  
*Chair*

**Earnest H. Kuhn**  
*Vice Chair*

**Scott G. Varner**

**Larry Border**

**Otis Leggett**

**Citizen Members**

**Dwight Calhoun**

**John Canfield**

**James Willison**

**W. Joseph McCoy**

*(Vacancy)*



---

**OFFICE OF THE LEGISLATIVE AUDITOR**

**Aaron Allred**  
*Legislative Auditor*

**John Sylvia**  
*Director*

**Brian Armentrout**  
*Research Manager*

**Marilyn Martin**  
*Research Analyst*

**Performance Evaluation and Research Division**  
*Building 1, Room W-314*  
*State Capitol Complex*  
*Charleston, West Virginia 25305*  
*(304) 347-4890*

---

**WEST VIRGINIA LEGISLATURE**  
*Performance Evaluation and Research Division*

Building 1, Room W-314  
1900 Kanawha Boulevard, East  
Charleston, West Virginia 25305-0610  
(304) 347-4890  
(304) 347-4939 FAX



John Sylvia  
Director

October 20, 2002

The Honorable Edwin J. Bowman  
State Senate  
129 West Circle Drive  
Weirton, West Virginia 26062

The Honorable Vicki V. Douglas  
House of Delegates  
Building 1, Room E-213  
1900 Kanawha Boulevard, East  
Charleston, West Virginia 25305-0470

Dear Chairs:

Pursuant to the West Virginia Sunset Law, we are transmitting a Preliminary Performance Review of the Department of Agriculture, Marketing & Development Division, which will be presented to the Joint Committee on Government Operations on Sunday, October 20, 2002. The issue covered herein is "State-Owned Farms Have Declined to the Point Where Alternative Uses for the Land Should Be Considered."

We transmitted a draft copy of the report to the Department of Agriculture, Marketing & Development Division on October 3, 2002. We held an Exit Conference with the Division on October 10, 2002. We received the agency response prior to the Exit Conference on October 9, 2002.

Let me know if you have any questions.

Sincerely,

Handwritten signature of John Sylvia in cursive script.  
John Sylvia

JS/wsc

---

*Joint Committee on Government and Finance*

---



# Contents

---

<b>Executive Summary</b> .....	5
<b>Review Objective, Scope and Methodology</b> .....	7
<b>Issue 1:</b> State-Owned Farms Have Declined to the Point Where Alternative Uses for the Land Should Be Considered.....	9
 <b>List of Tables</b>	
<b>Table 1:</b> Actively Farmed State-Owned Properties.....	12
<b>Table 2:</b> Changes In Farm Operating Budget (1981-2003).....	13
<b>Table 3:</b> Revenues and Expenses From Farm Operations.....	14
<b>Table 4:</b> Demand For Land Section Farm Commodities At State Institutions.....	16
 <b>List Of Appendices</b>	
<b>Appendix A:</b> State-Owned Farmlands With Current Usage.....	23
<b>Appendix B:</b> Survey of State Farm Operations.....	27
<b>Appendix C:</b> Transmittal Letter to Agency.....	39
<b>Appendix D:</b> Agency Response.....	41



# Executive Summary

---

The Marketing and Development Division of the Department of Agriculture is assigned the stewardship of approximately 9,000 acres of state-owned farmlands. There are twelve properties throughout the state with various usages, including farming, wildlife, woodlands and recreation. Some properties have no designated usage and much of the land is used for farming. However, the Legislative Auditor finds that **the farming operations are inefficient and in significant decline**. The Division has cited objectives to improve and enhance farming operations over the past seven years. Some of these objectives have been foregone, and others have yet to be achieved, such as increasing the quantity of products in order to operate farms at full capacity, increasing the variety of products, achieving self-sufficiency, marketing products in other areas, and utilizing a greater prison inmate work force. **The farming operations are in such decline that it appears unlikely that the Division will ever achieve its objectives**. Also, the Division of Corrections may be unable to provide enough supervision for a greater inmate work force that is necessary to enhance production and keep costs down.

The Division needs to reassess the optimum use of farmlands, including a cost-benefit analysis of alternative uses. The continued use of some of these properties for state farming may not be in the best interest of the state. The decline of state farming and its inefficiencies are illustrated by the following facts:

- ï **State-produced food is more expensive than the private sector;**
- ï **Several inconveniences are cited in purchasing food from the Division;**
- ï **Food production and variety have dropped significantly; and**
- ï **Limited work opportunities exist for Correction inmates.**

The Marketing and Development Division of the Department of Agriculture is primarily charged with advancing West Virginia agriculture in domestic and international markets. The Legislative Auditor finds that there is a need for the Division and recommends its continuance.





# Review Objective, Scope and Methodology

---

This Preliminary Performance Review of the Marketing and Development Division of the Department of Agriculture is required and authorized by the West Virginia Sunset Law, Chapter 4, Article 10, Section 5 of the West Virginia *Code* as amended. The Division's Land Section serves as caretaker of 9,000 acres of state-owned farmland.

## Objective

The objective of this audit is to ascertain the present condition of state-owned farmlands and to determine whether the farms provide agricultural commodities to State institutions at a cost savings and a rehabilitative work environment for inmates in the correctional system.

## Scope

The scope of this evaluation covers the period from 1995, when the farms were transferred to the Division from the former Farm Management Commission, to September 2002.

## Methodology

The Legislative Auditor examined *Code* requirements; conducted interviews and exchanged correspondence with officials from the Division of Marketing and Development, the Division of Corrections and the Department of Health and Human Services; reviewed financial and operational documents, both contemporary and historical, from those agencies which have had oversight of the properties over the last 25 years; surveyed food service personnel from institutions which purchase commodities from the farms; and interviewed directors in other states regarding farm operations.

Every aspect of this evaluation complied with Generally Accepted Government Auditing Standards (GAGAS).



## **State-Owned Farms Have Declined to the Point Where Alternative Uses For the Land Should Be Considered.**

The Marketing and Development Division of the Department of Agriculture is assigned the steward of approximately 9,000 acres of state-owned farmlands. There are twelve properties throughout the state with various usages, including farming, wildlife, woodlands and recreation. Some properties have no designated usage and much of the land is used for farming. However, the Legislative Auditor finds that **the farming operations are inefficient and in significant decline.** The Division has cited objectives to improve and enhance farming operations over the past seven years. Some of these objectives have been foregone, and others have yet to be achieved, such as increasing the quantity of products in order to operate farms at full capacity, increasing the variety of products, achieving self-sufficiency, marketing products in other areas, and utilizing a greater prison inmate work force. **The farming operations are in such decline that it appears unlikely that the Division will ever achieve its objectives.** Also, the Division of Corrections may be unable to provide enough supervision for a greater inmate work force that is necessary to enhance production and keep costs down.

The Division needs to reassess the optimum use of farmlands, including a cost-benefit analysis of alternative uses. The continued use of some of these properties for state farming may not be in the best interest of the state. The decline of state farming and its inefficiencies are illustrated by the following facts:

---

*...the Division has lost an annual average of more than \$480,000 over the last several years...*

---

1. **State Produced Food is More Expensive than the Private Sector:** The prices charged state institutions by the Division are wholesale and competitive. However, the fact that the Division has lost an annual average of more than \$480,000 over the last several years and institutions must pay processing and delivery charges to third parties for meat make its products more expensive to the State than purchasing from the private sector.
2. **Several Inconveniences Are Cited in Purchasing Food from the Division:** Certain state institutions are required by law to purchase some food from the Division. Institutions complain that they must purchase an entire hog or head of cattle and pay a third party delivery and processing charges even though they may prefer to purchase only inexpensive cuts, such as hamburger. Institutions also complained that purchased animals are relatively small. Also, potatoes are available only in 50-pound bags. This is too large for smaller institutions because waste would occur.

---

3. **Food Production and Variety Have Dropped Significantly:** Since 1988, beef production is down nearly 32%, pork production is down nearly 49% and potato production is down nearly 72%. Since 1996, when the Division took over management of the properties, production has increased; however, it is well below the 1988 levels. Consequently, state farms do not operate at full capacity. Only 4 of the 12 state properties are used for farming. The number of state employees working on state farms has dropped from 38 in 1988 to 9 in 2002. In addition, during the 1970s and 1980s, state farms operated a cannery and produced a wide variety of products such as livestock, poultry, milk, potatoes, corn, tomatoes, onions, cabbage, carrots, cucumbers, fruits and other crops. **Currently, state farms produce only beef, pork and potatoes.** With respect to these three commodities, the farms are able to provide all that is requested of them by the purchasing institutions. Increasing variety of products was a goal of the Division for several years. However, the attempt to grow vegetables was eliminated because of the lack of transportation to deliver goods timely and storage and processing facilities.

---

*Currently, only 1% to 3% of the prison population at Pruntytown and Huttonsville work on state farms.*

---

4. **Limited Work Opportunities Exist for Correction Inmates:** Currently, only 1% to 3% of the prison population at Pruntytown and Huttonsville work on state farms. During the 1970s and 1980s the majority of prisoners at Huttonsville worked on state farms. The Division has stated for several years its objective to increase inmate farm labor, but the lack of inmate supervision has prevented this goal from being achieved.

The Marketing and Development Division of the Department of Agriculture is primarily charged with advancing West Virginia agriculture in domestic and international markets. The Legislative Auditor finds that there is a need for the Division and recommends its continuance.

## Historical Perspective

Until the 1970s, each farm was administered independently by the correctional institution it served. The majority of inmates and residents worked on the farms, and the farms provided the majority of fresh commodities required by institutions, including dairy products, poultry, fresh produce, processed meat, canned foods and numerous crops, such as potatoes, oats, corn, tomatoes, green beans, raspberries, strawberries, onions, cabbage, apples, barley, wheat, carrots, and cucumbers.

In the past 25 years, the farms have been transferred from the Division of

---

*The farms that once supplied nearly all of the food requirements of state correctional institutions now provide only beef, pork and potatoes.*

---

Corrections to the Farm Management Commission and finally to the Land Section within the Marketing and Development Division of the Department of Agriculture. The farms that once supplied nearly all of the food requirements of state correctional institutions now provide only beef, pork and potatoes. Dairy operations ceased in 1993. The growth of fresh produce was eliminated due to the lack of adequate transportation to deliver fresh goods in a timely fashion and the lack of storage and processing facilities.

West Virginia's institutional farmlands are comprised of approximately 9,000 acres located in 12 locations throughout the state. Only four of the properties are currently operated with an emphasis on agriculture: Huttonsville, Pruntytown, Lakin and Pinecrest. Table 1 contains an overview of the active properties:

<b>Table 1 Actively Farmed State-Owned Properties</b>				
<b>Location</b>	<b>Size</b>	<b>Employees</b>	<b>Crops</b>	<b>Other Uses</b>
Huttonsville (includes Becky's Creek), Randolph County	5,100 acres	5 FTE state employees;  15 inmate labor  125 seasonal inmate labor during the potato harvest	1,000 head-per-year capacity feedlot facility; 521 beef and 141 hogs in inventory; mixed hay; corn silage, ear corn and pasture grasses	DNR license for wildlife management and recreational use; public cemetery
Pruntytown, Taylor County	1,587 acres	2 FTE state employees, part-time help  10 inmate labor	Cow/calf operation totaling 447 animals, including 218 brood cows; mixed hay and pasture grasses	DNR license for wildlife management and recreational use; recycling operation; lease for public water lines
Lakin, Mason County	935 acres	1 FTE state employee	Cow/calf operation totaling approximately 175 animals; mixed hay, pasture grasses	Fifteen acres recently transferred to Division of Corrections for prison; DNR license on 400 acres for wildlife management
Pinecrest, Raleigh County	220 acres	Part-time help; retired state employee	Cow/calf operation comprising 74 animals; mixed hay, pasture grasses	211 acres to be transferred to the West Virginia Economic Development Authority, remaining acres to Pinecrest Hospital
<i>*Information based on Marketing and Development Division's Work Plan/Annual Report For FY 2000-2001</i>				

## Causes for Decline of State Farms Program

There are numerous problems that have contributed to the present conditions of the state farms, such as the loss of operating funds, decreased demand for agricultural products by state institutions, barriers that make the use of state farm products inconvenient, and minimal use of inmate labor in state farm operations. These are discussed below in greater detail.

---

*The Land Section continues to administer approximately 9,000 acres of state farmland with 37% of the operating funds and 13% of the staff allocated twenty years ago.*

---

1. Decreased Operating Funds

Lack of funding is also cited by the Land Section as a major reason for the decline in services provided by the farms. Funding declined steadily throughout the tenure of the former Farm Management Commission. By 1993, the farms had no appropriation and only \$850,000 spending authority. The financial position of the farms has not improved substantially since being placed under the Department of Agriculture in 1994 (see Table 2).

For several years, state farmlands have been timbered to cover the operating shortfall. Other income comes in the form of lease payments from private farmers and civic groups, royalties from oil and gas operations, surplus sales of agricultural products, etc., yet the shortfall in fiscal year 2001 still amounted to approximately \$243,000.

<b>Table 2</b>			
<b>Changes In Farm Operating Budget (1981-2003)</b>			
<b>Governing Agency</b>	<b>Year</b>	<b>Appropriation</b>	<b>Employees</b>
Farm Management Commission	1981	\$2.8 Million	68
	1988	\$1.6 Million	38
	1993	No Appropriation \$850,000 Spending Authority	9
WVDA Marketing and Development Division	2003	\$269,000 \$1,028,903 Spending Authority	9 (Appropriation Covers 7 Positions; Remainder Funded By Farm Account)

In 2001, the Marketing and Development Division spent \$1,130,658 on administration of the farmlands. **The Land Section continues to administer approximately 9,000 acres of state farmlands with 37% of the operating funds and 13% of the staff allocated twenty years ago.**

2. Declining Demand Of State Farm Products

In 1988, state farms provided beef, pork and potatoes for 23 state correctional, juvenile and behavioral health institutions which are mandated to

*...the farming operation incurs significant annual losses.*

purchase from the state farms. Currently, the number of institutions served has declined to 18<sup>1</sup>. This decline is a result of facilities being closed or consolidated. **If revenues from end-of-year balance transfers are excluded, it can be seen that the core farming operation incurs significant annual losses (see Table 3). Timbering receipts are used to offset these losses.** These annual losses make the cost of food production more expensive to the State than if food were purchased from the private sector.

<b>Fiscal Year</b>	<b>Revenues*</b>	<b>Expenses**</b>	<b>Deficit Including Timbering Revenue</b>	<b>Deficit Excluding Timbering</b>
2002	\$791,030	\$1,091,025	(\$299,995)	(\$439,092)
2001	\$790,525	\$1,130,658	(\$340,133)	(\$504,671)
2000	\$664,032	\$1,050,564	(\$386,532)	(\$509,780)
1999	\$819,712	\$1,005,448	(\$185,736)	(\$470,251)

*\*Does not include end of year balance transfers from previous year.  
\*\*Expenses include the state appropriation to cover salaries for several employees.*

### 3. Barriers to Expanded Use of Commodities

A survey of the purchasing institutions indicates general satisfaction with the quality and price of the commodities provided. Nevertheless, the changes in administration of the farmlands have resulted in a loss of ability to respond to the needs of the institutions. This is true in processing of meat and transportation of produce in addition to packaging and variety of products. Barriers to greater utilization of commodities include:

- i **Meat Processing.** The farms do not process any meat for institutional purchase. Therefore institutions must pay a third

<sup>1</sup>The eighteen are: Anthony Center; White Sulphur Springs; Beckley Work Release Center; Charleston Work Release Center; Davis Center; Denmar Correctional Facility, Hillsboro; Hopemont Hospital; Mary Mitchell-Bateman State Hospital, Huntington; Huntington Work Release Center; Huttonsville Correctional Center; Lakin Hospital; Marion Health Care, Fairmont; Mount Olive Correctional Center; Pinecrest Hospital, Beckley; Pruntytown Correctional Complex; St. Mary's Correctional Facility; Sharps Hospital, Weston; Welch Emergency Hospital; West Virginia Industrial Home For Youth.



---

*Purchasing institutions must accept an entire hog or beef, even though they may prefer to purchase only inexpensive cuts, such as hamburger.*

---

party to butcher whole carcasses of pork or beef. This results in inefficiencies in ordering because the amount of a certain cut cannot be precise, and there appears to be a lot of waste. Purchasing institutions must accept an entire hog or beef, even though they may prefer to purchase only inexpensive cuts, such as hamburger. The price paid is live weight or carcass weight,<sup>2</sup> meaning only 50% to 60% of the animal is actually consumed.<sup>2</sup> A food service representative at Mt. Olive said that buying from Agriculture likened to spending a dollar for a dime's worth of meat. Another mentioned that the animals tended to be smaller in size. Most institutions would buy more if they were able to purchase meat by selection of cuts, ground meat and patties.

- ï **Packaging.** Potatoes are available only in 50-pound bags. This is too large a quantity for some of the smaller institutions, resulting in waste.
- ï **Limited production.** The institutions must utilize other suppliers with existing state contracts, such as US Food Service, Sysco, Wendling and Peerless, to purchase such commodities as seasoned pork (bacon and sausage), poultry, canned and frozen foods, vegetables, dairy and eggs.
- ï **Billing.** The manner in which the agencies are billed for the commodities presents another barrier to utilization. In order to plan for the coming year, the Land Section requires the purchasing institutions to estimate their needs for the coming year. Specific orders are requested quarterly. This is because it takes at least 180 days to finish cattle. If demand suddenly increased by several hundred more beef, the Land Section would need to request additional funds to buy the beef on the open market. The food service personnel indicated that they disliked estimating their commodity needs that far in advance. Each of the purchasing agencies transfers funds to the Land Section at the beginning of the fiscal year to be used as a credit against the amount of commodities purchased. Once the amount of the credit has been used, the agencies are billed separately for any additional purchases. While facilitating the billing process, the requirement to pay in advance creates cash

---

<sup>2</sup>Huttonsville Correctional Center pays a lesser dressed weight, because processing is done on-site by the inmates.

*...the requirement to pay in advance creates cash flow difficulties for the purchasing agencies.*

flow difficulties for the purchasing agencies.

- ii **Decrease In Population.** The census at some behavioral health facilities, veterans' homes and juvenile homes have dropped significantly due to the home care programs now provided by managed health care programs.
- ii **Change of Menu.** Prison food services now utilize healthier menus in an effort to decrease medical and equipment maintenance costs.

These barriers of the expanded use of state farm products play a significant role in their declined demand, as illustrated in Table 4. Although there has been an increase in production since 1996, since the Division took over operations, production is well below 1988 levels. Consequently, farms are not at full capacity.

<b>Table 4</b>			
<b>Demand For Land Section Farm Commodities At State Institutions</b>			
	Lbs. Beef	Lbs. Pork	Lbs. Potatoes
FY 1988	984,488	222,137	553,250
FY 1996	570,312	90,756	81,310
FY 2001	670,309	113,322	155,250
Change Since 1988	-31.9%	-48.9%	-71.9%
Change Since 1996	17.5%	24.8%	90.9%

#### 4. Work Opportunities Limited For Inmates

The Land Section employs inmates at its two largest state farm operations, Huttonsville and Pruntytown. Huttonsville has an average of fifteen inmates year-round, although the number increases to 125 during the potato harvest. Pruntytown uses an average of 10 from April to September and 5 from October to March. The current population of the Huttonsville facility is 935, meaning **only 1.6% of the inmates are typically employed in farm work.** The population of the Pruntytown facility is 357, meaning that farm employs **only 3% of inmates in farm work.**

---

*The lack of work opportunities for inmates is also attributed to a lack of supervision by the Division of Corrections, whose responsibility it is to provide this function.*

---

The lack of work opportunities for inmates is also attributed to a lack of supervision by the Division of Corrections, whose responsibility it is to provide this function. Land Section employees must often provide inmate supervision themselves, although they do not receive hazard pay, as do their counterparts in the Division of Corrections. Sabotage of farm equipment by inmates and other such incidents have resulted in a reluctance by Department of Agriculture personnel to utilize offenders in any task that requires more than the minimum of supervision. Employing inmate labor has also become more difficult since the Huttonsville prison was upgraded to a maximum security prison. An expanded use of inmate labor would increase production and keep costs down.

## **Maintenance of State Farms**

The Marketing and Development Division's work plans for fiscal years 1999, 2000 and 2001 restate the same goals, suggesting that the farm operation is in a period of stagnation. The impact is seen in the increasingly poor condition of the farms. Many of the buildings and equipment need to be repaired or replaced, as illustrated by this passage from the 2001 annual report:

*...one area [that can't be addressed] is in appearance: a lot of our properties aren't getting brush hogged, fences sprayed or pastures clipped in a timely fashion. A lot of abandoned buildings need demolished and reclaimed. This past year, one of the vacant buildings on the Hopemont property collapsed...all of the operations are in need of some much needed equipment, but funds simply aren't available to procure at this time.*

Twenty buildings on farm properties are in need of demolition. In the view of the Division, they constitute a liability to the State, as well as a health hazard. Several of the condemned buildings contain asbestos. The estimated one-time cost of demolition is \$375,000.

## **Efforts To Identify Alternative Uses For State-Owned Properties**

When the properties were initially transferred to the Department of Agriculture in 1994, the Legislature directed the agency to provide a detailed report as to the optimum use and disposition of each of the properties. The report was to include projected revenues and expenses from operations, a detailed five-year plan, a long-term ten-year plan, and a cost-benefit analysis of options

---

*The Division is presently working to develop a master plan.*

---

or alternatives for action. The Legislative Auditor received a copy of this report. The report did not have projected revenues and expenses for operations, a five-year or ten-year plan or a cost-benefit analysis of alternative uses for the land. The Division reported detailed information regarding the current and potential use of each property and goals and objectives. The Division is presently working to develop a master plan.

The Commissioner of Agriculture authorizes all leases and is ultimately responsible for determining whether the properties should continue to be used agriculturally, developed for natural resources, held for economic, recreational or industrial development, or transferred to the Public Land Corporation for disposition. [WVCB19-12A-1a(b)] states: "...when appropriate, the commissioner shall consult with the secretaries of the various departments of state government and shall request from the secretaries suggestions for land use and resource development on the land." The Department of Agriculture considers numerous requests from state agencies, civic entities and economic development concerns that wish to lease property, but does not *initiate* discussions with such groups in an effort to ascertain the most advantageous use.

Relatively few leases have been granted over the past three years and are generally issued for a term of one year only. The lessees are primarily state and civic entities who have contacted the agency about using property for recreational, educational or economic development. The land may also be leased to private parties as long as the intended purpose does not render it toxic for agricultural use. Additional land could be leased out at little or no expense, requiring only that the property be inspected periodically to determine adherence to the lease agreement. Several of the smaller properties not used in the day-to-day operation of the farms are presently advertised for lease.

## State Farm Operations In Other States

---

*...it is possible for state-owned farm operations to result in a cost savings to tax-payers.*

---

A survey of state farm operations in other states demonstrates that while there is no single approach to the management of state-owned farmlands, it is possible for state-owned farm operations to result in a cost savings to tax-payers. Those most successful tend to operate like private businesses, actively seeking out creative ways of employing inmates without competing with private farmers. Some sell their goods on the open market, others sell only to other state agencies and nonprofit organizations. Some grow small quantities at each facility, others rely on large, centralized farms. Some incorporate their farm operations with other prison industries. Some are funded in part by tax-dollars, while others are self-supporting, deriving their revenues solely from the sale of their products and services (see Appendix B for a further description of other state farm operations and examples of their activities). Still others, such as West

---

Virginia, are experiencing a deficit and substantial budget cuts.

Most operations include processing facilities, such as slaughterhouses and dairies, and grow various types of produce. Most also permit their beef and hogs to be sold on the open market, with the proceeds realized by the agency used in part to buy back more inexpensive cuts of meat. The main commonalities among the operations surveyed include:

- i Farmlands are administered by either the state correctional agency or a subsidiary prison industries organization; and
- i The primary purpose of farm operations is to reduce institutional food service costs through the use of low cost inmate labor (some states have abandoned farm operations only to restore them for this reason). For example, food service presently costs the Division of Corrections approximately \$3.28 per inmate per day. If this cost could be reduced to the national average of \$2.96 per day, it would result in a savings of nearly \$450,000 annually.

---

*The primary purpose of farm operations is to reduce institutional food service costs through the use of low cost inmate labor.*

---

## Conclusion

The Division has found uses for many of the properties in the form of leasing for recreational use, wildlife and woodland management, timbering, oil and gas development, and farming. Much of the land is used for farming, and the farming operations are in significant decline. A statutory purpose of state farmlands is to produce food efficiently and to sell products at wholesale prices (β19-12A-1; and β19-12A-5(b)). This implies that the state receive competitive prices in producing foods. However, given the losses the farming operations incur and the additional costs state institutions pay to have animals delivered and processed, the state is paying more for products than if products were purchased from the private sector. State institutions are required to purchase some portion of food from the Division but no specified amount is required. With the inconveniences and added expenses of purchasing from the Division, the Legislative Auditor finds that state institutions would likely purchase much less of the Division's products if the legal requirement were removed. In fact, the Regional Jail Authority, whose institutions are not mandated to purchase commodities from the farms, utilizes a private company for food service which purchases commodities from the open market.

Another objective of state farmlands is to provide work opportunities for prison inmates and benefit from low cost labor. This is accomplished in a small percent of the prison population. Other Division objectives are to restore

---

farming operations to full capacity, increase the variety of products, and make farm operations self-supporting. It is unlikely these goals can be accomplished without the combination of developing processing and distribution facilities for meat production and utilizing a greater inmate work force.

The Legislative Auditor concludes that the legal requirement to have certain state institutions purchase food from the Division is maintaining an inefficient and declining system. The Division is faced with the task of determining whether the farming operations can ever be self-sufficient and operate at full capacity. Can variety be increased? Can the concerns of purchasing institutions be addressed such as the apparent waste and higher cost of purchasing an entire animal compared to purchasing only select cuts of meat? The Division needs to perform a cost-benefit analysis on alternative uses for properties currently being used for farming. Furthermore, the Division needs to determine what would be necessary and at what cost to achieve the goals it has restated for the past seven years.

## **Recommendations**

1. The Marketing and Development Division of the Department of Agriculture should be continued.
2. The Marketing and Development Division of the Department of Agriculture should present to the Joint Committee on Government Operations and the Joint Committee on Finance a comprehensive study that reflects the total cost to bring the farm operations to self-sufficiency and full capacity. The study should also address the concerns of state institutions with respect to the lack of variety and their inability to purchase select cuts of meat instead of having to purchase an entire animal. The study should be completed in sufficient time to present to the Legislature during the 2004 Regular Session.
3. The Marketing and Development Division should also develop a comprehensive cost-benefit analysis on the alternative uses of lands currently used for farming, including such options as closing farm operations, utilizing food contractors for all state institutions, leasing the properties to private farmers, or allowing beef and pork to be sold on the private market with proceeds going back to food service operations. These plans should consider a variety of alternatives and should reflect all relevant costs and benefits for each use. This analysis should be completed in sufficient time to present to the Legislature during the 2004 Regular Session.

- 
4. The Division should also include an interagency effort in its attempt to assess alternative uses for farmlands as required by law.





# Appendix A: State-Owned Farmlands

---

- 1. Huttonsville and Beckyís Creek, Randolph County**
  - ï 5,100 acres
  - ï 755 acres crop land, 869 acres pasture, 3,440 acres woodland, 36 acres farmland/other
  - ï 5 full-time employees, plus inmate labor
  - ï 1,000 head-per-year capacity feedlot facility; feeder pig operation; mixed hay; corn silage; ear corn; pasture grasses
  
- 2. Pruntytown, Taylor County**
  - ï 1,587 acres
  - ï 327 acres crop land, 800 acres pasture, 432 acres woodlands, 28 acres farmstead/other
  - ï 2 full-time employees, plus inmate labor
  - ï Cow and calf operation (416 animals, including 203 brood cows with potential for 300); mixed hay; pasture grasses
  
- 3. Lakin, Mason County**
  - ï 935 acres
  - ï 257 acres crop land, 314 acres pasture, 336 acres woodlands, 28 acres farmstead/other
  - ï 1 full-time employee
  - ï 17 acres transferred to Division of Corrections for prison
  - ï Department of Natural Resources license on 400 acres for wildlife management
  - ï Cow and calf operation (175 animals); mixed hay; pasture grasses
  - ï Possibility of transferring part of farm to Mason County Development Authority for industrial park
  
- 4. Weston Farm, Lewis County**
  - ï 570 acres
  - ï 68 acres crop land, 343 acres pasture, 156 acres woodland, 3 acres farmstead/other
  - ï 220 acres transferred to Department of Health and Human Resources in 1990 for Sharpsí Hospital
  - ï 350 acres transferred to DHHR for a behavioral health facility not presently scheduled for construction
  - ï Royalties from four wells
  
- 5. Hopemont Farm, Terra Alta, Preston County**
  - ï 750 acres
  - ï 218 acres crop land, 239 acres pasture, 257 acres woodland, 36 acres farmstead/other
  - ï 350 acres leased for agricultural use

- 
6. **Andrew S. Rowan Farm, Sweet Springs, Monroe County**
    - ï 627 acres
    - ï 40 acres crop land, 100 acres pasture, 477 acres woodland, 10 acres farmstead/other
    - ï Livestock summer grazing operation
    - ï 22 acres formerly deeded to Monroe County Commission for operation which subsequently failed; 10 acres of this currently leased
    - ï Would prefer to lease entire farm if more pasture land could be located near Huttonsville
  
  7. **Moundsville, Marshall County**
    - ï 17 acres; originally 140 acres
    - ï 60 acres crop land, 56 acres pasture, 17 acres woodlands, 7 acres farmstead/other
    - ï Everything except woodlands already committed or transferred: 57 acres to the City of Moundsville and the Marshall County Commission; 5 acres to the Department of Highways; remainder leased to Monarch Hardwoods, Inc. for a solar dry kiln timber facility
  
  8. **Colin Anderson, St. Maryís, Pleasant County**
    - ï 650 acres
    - ï 75 acres crop land, 64 acres pasture, 511 acres woodland
    - ï Currently leasing 75 acres; remainder being held for potential economic development or DNR recreational purposes; some timbering in the past
  
  9. **Barboursville, Cabell County**
    - ï 266 acres
    - ï 705 acres originally: 170 acres crop land, 203 acres pasture, 286 acres woodlands, 46 acres farmstead/other
    - ï 439 acres transferred to City of Barboursville in 1984 for recreational complex; remaining acres transferred to Barboursville for additional recreational purposes
  
  10. **Pincrest, Raleigh County**
    - ï 220 acres
    - ï 90 acres crop land, 90 acres permanent pasture, 5 acres woodlands, 35 acres farmstead/other
    - ï 211 acres to be transferred to the W.V. Economic Development Authority and remaining acres to Pincrest Hospital
    - ï Cow and calf operation (88 animals); mixed hay; pasture grasses

---

**11. Elkins Childrens Home, Randolph County**

- ï 150 acres
- ï 100 acres pasture; 50 acres woodland
- ï Per deed, state of West Virginia must hold title to this property
- ï Some timbering, with proceeds going to benefit the home

**12. Salem, Doddridge County**

- ï 20 acres woodland
- ï Buffer zone for West Virginia Industrial Home For Youth
- ï No plans for timbering



# Appendix B: Survey of State Farm Operations

---

The following are examples of activities at the various state farm operations that were surveyed:

## **Georgia:**

1. The state's Food and Farm Services have the integrated task of providing meals to all of Georgia's incarcerated inmates. The units which compose Food and Farm Services are: Food Service, Farm Service, Food Distribution Unit, and Food Processing. Under this management system, the cost of food per inmate per day has declined to \$1.60.
2. The central food distribution warehouse is the largest food and farm operation east of the Mississippi River. Vegetables grown on state farms are canned and shipped to the warehouse from the prison system cannery. Other products are flash-frozen and stored in the warehouse to await delivery in refrigerated trucks.
3. The state coordinates with Health Services to lower medical costs by providing healthier menus. Elimination of fried foods has resulted in significantly reduced equipment maintenance costs, fewer drain, sewer and septic problems, and reduced sick call.
4. Reduced inmate meals from three to two a day on weekends and holidays, when inmates aren't working. Cold-cut lunches during the week, saving 3 cents per day per inmate, a total of \$438,000 per year.
5. Installation of center-pivot irrigation over the wide area of the vegetable farming operation, guaranteeing a good crop during any Georgia drought and increasing yields by five to eight tons per acre.
6. Surplus commodities are bartered for goods that can't be grown locally. Commercial farmers gift the system with hundreds of tons of surplus commercially-grown vegetables annually, further reducing state prison food costs.
7. Installation of portion-controlled equipment (plus the switch to cold-cut lunches) enabled the agency to produce 100% of the menu requirements for beef and pork from their own farms at less cost. Meat products are stretched 34% with added soy extenders. Overall, the farms now provide 45-47% of their total menu requirements.

- 
8. Food and Farm Services has a statewide contract for produce purchases, so that prices can be monitored prior to purchase. Substitutions are made for highly-priced items.

**Virginia:**

1. Powdered milk purchased from the private sector is mixed with raw milk produced by prison dairies, increasing the yield four-fold. In this way, the farms have been able to meet the institutions' increasing demand for milk without increasing the size of dairy herds or the fluid volume of milk produced, thus satisfying the state's milk lobbyists.
2. A fish cleaning and processing facility was built in six months at a cost of \$60,000, using lumber produced by prison sawmills. Crocker, considered undesirable by most fish markets because of their small size, are purchased at a discount. The facility employs 15 inmates and processes 10,000 pounds of fish a week.
3. Virginia's large cattle herds represent a valuable source of research data for dealers who want competitive data to improve their bulls. The state bred the cows, provided a consultant, and furnished the resulting data; offspring bulls were sold back to the providers; in exchange, the state was able to retain heifers and semen from high-priced bulls that they would not be able to afford otherwise.
4. A flash-freeze operation was constructed inside the parameters of one correctional facility; enabling vegetables and produce to be preserved for distribution to institutions state-wide while employing 90 inmates without employing additional security; private growers donate their rejected produce for the cost of hauling it away.
5. The state recently acquired an orchard from an owner who utilized the state's donated food policy to receive a \$9,500 tax write-off on the transaction.
6. A fresh produce distribution center with cooling and packing facilities enables the agency to accept tractor-trailer load lots; the alternative is to send out bid sheets that are usually filled with the vendor's most inferior product, although charged at retail price.
7. Inexpensive pork trimmings are used to form uniformly-sized pork chops. Virginia is one of the many states that sells animals on the open market and uses the proceeds to buy cheaper cuts of meat.

---

## **South Carolina:**

1. iRent-A-Bee: This state has a honeybee program that enables peach growers and others who raise wind-pollinated crops to rent a colony for pollination purposes.
2. Recently started a registered Black Angus herd.
3. Milk is the biggest commodity, providing 100% of the milk requirements of the agency and sold at a price 10% less than can be obtained elsewhere.
4. Soybeans are swapped for meal for animals.
5. 90% of the vegetable needs of the institutions are met by the farm; 25,000 pounds of sweet potatoes are sold annually on the open market.
6. Farms have a contract to grow greens - a labor-intensive crop that can be done much less expensively utilizing inmate labor.
7. The Food Service Branch operates a central warehouse for distribution of commodities to all 32 state institutions, as well as a food processing plant which blanches and freezes farm-produced vegetables.
8. A new layer facility will provide eggs to the institutions, with any surplus being bid out on contract at 10% below market price.
9. A timber management operation provides funding for equipment; harvested timber is replaced by new pine.
10. Meals are provided to inmates for \$1.34 per inmate per day, one of the lowest daily costs among the nation's correctional systems.

## **Mississippi:**

1. Officials have determined that, given free inmate labor, a \$500,000 operating loss can be converted to operating profits of as much as \$50,000 if prison farms can achieve average state-wide row crop yields.

## **Ohio:**

1. State has contracted with John Deere to lease farm equipment and/or buy used equipment with maintenance provided free.

---

## Indiana:

1. Correctional farms are incorporated with iFood Industriesî, a single processing plant housing a bakery, meat processing facility, fruit and vegetable processing facility and creamery. Combined with a Manufacturing and Services unit and Joint Venture unit, Indianaís prison industries are known collectively as iPIN Productsî, a name selected to provide the operation with a corporate identity.
2. Approximately one-fourth of inmate jobs result from joint ventures with private companies.
3. Prison industries, including the farms, are operated like a private enterprise. As the Director, Lin Paul, noted: ìItís hard enough for a private farmer to make money.î Government and bureaucracy, in his opinion, impede operations. Indianaís farms break even; PIN Products overall has increased sales from \$6 million to \$35 million in six years.
4. There is no ibabysittingî of inmates; PIN takes only as many as they need, and only the best workers. Inmate labor is perceived as expensive due to constraints and cost of supervision.
5. PIN sells to the private sector; Indianaís legislature had to amend existing laws to permit this. Mr. Paul notes that there are limits on the interstate commerce of prison-made goods; raw agricultural goods are exempt, but processed goods are not - in other words, corn may be sold to other states, but corn meal may not.
6. A quarter of all acreage is used to grow vegetables, although little fresh produce is distributed. PIN enters into commercial agreements whenever feasible; for example, they have contracted with Dean Foods to provide peppers. All the proceeds go back to the agency, and the farms are credited for what they produce. The food plant is required to buy from the farms.
7. PIN has begun to provide food service at a newly-opened jail facility. They can charge less per meal than other providers. PIN is treated like any other vendor in that they have a written contract and pay all of the expenses they incur. Mr. Lin notes that most food cost figures per inmate do not include the cost of labor, if it is provided by the facility.



---

## **Tennessee:**

1. Farms are incorporated into iTri-Coreî, a separate agency which administers prison farms and industries. As with Indiana, Tennessee farm operations are run like a private business: a cannery has been closed down due to insufficient demand; crops grown vary season-to-season and are sometimes not grown at all, based on market predictions.
2. Officials credit the farmsí good financial position to the dairy operations.

## **Kentucky:**

1. Ten years ago, Kentuckyís governor decided to sell the stateís processing facilities, including a cannery, meat processing facilities and a dairy. The next administration re-instituted funding for the state farms, but the processing facilities were never restored.

## **Iowa:**

1. Iowa is examining the feasibility of establishing a centralized processing operation for meat and vegetables to serve the entire prison system. They are also considering butchering prison-raised cattle (currently sold on the open market) and expanding the gardening operation.

Appendix B Overview Of Farm Operations Surveyed								
State	Governing Agency	# of Farms/ Acres	Budget	Surplus/ Shortfall	Commodities Produced	Processing Facilities	Buyers	Inmates Worked
Georgia	Food & Farm Services Division of Department Corrections - Farm Services Unit	8 sites; approx. 13,000 acres	Unknown; all operations monitored by a budget analyst	Unknown	Timber, beef, pork, vegetables, fruit, row crops, corn meal, grits, hay, eggs, milk	Food Processing Unit operates processing facilities at six farms include an abattoir, dairy, feed mill, cannery & flash- freeze plant; Food Distribution Unit operates a warehouse, meat processing facility, cold storage, and vehicle maintenance shop	Correctional facilities & other state institutions; surplus commodities are bartered for those not available within the system	440

**Appendix B  
Overview Of Farm Operations Surveyed**

<b>Kentucky</b>	Corrections	6 sites; 6,000 acres	Unknown	Revenue generated; farms break-even	Beef, pork, vegetables	None (used to have a cannery, meat processing facility and dairy)	Primarily correctional facilities and other state institutions; surplus sold on private market; beef and pork sold on private market so food service can buy back cheaper cuts	200-300
<b>Indiana</b>	Correctional farms are part of Food Industries, which is combined with Prison Industries; operation is called "PIN Products"	3 sites; 7,400 acres	\$1.4 million	Revenue generated; farms break-even; PIN generates \$35 million in sales annually (just \$6 million six years ago)	Beef, vegetables, row crops (corn, soybeans, wheat)	Single processing plant containing a bakery, meat processing facility, fruit and vegetable processing facility and creamery; have also begun providing food service at some correctional facilities	Correctional facilities; PIN is mandated to buy from the farms; excess product is sold to private sector (have contract with Dean Foods); beef sold on private market so food service can buy back cheaper cuts	350 (employ only as many as they need, and take only the best workers)

**Appendix B  
Overview Of Farm Operations Surveyed**

<b>Iowa</b>	Corrections	12 sites; 6,919 acres	Self-supporting; no general fund appropriation; annual revenues of \$850,000 and owner's equity of \$1.7 million	Some years there is a profit, others not: earned \$15,000 in 1996, lost \$3,000 in 1997; losses are offset with cash rental of farm land	Beef, vegetables	None; presently looking at feasibility of a central processing operation for meat and vegetables	Vegetables used at correctional facilities; beef sold on the private market	100
<b>Maryland</b>	No state farms	n/a	n/a	n/a	n/a	n/a	n/a	n/a
<b>Ohio</b>	Corrections - farms included with Ohio Penal Industries; central business office plus deputy warden at each farm to oversee operations	10 sites; 13,387 acres	\$5 million	(\$250,000)	Milk, Beef, Pork, Vegetables, Row Crops	5 dairies, 2 meat processing facilities, central distribution warehouse	Primarily correctional facilities; some vegetables and row crops sold on private market	630

**Appendix B  
Overview Of Farm Operations Surveyed**

<b>Pennsylvania</b>	Corrections; each farm operated by individual prison; not incorporated with prison industries	Unknown	Funded from budget of individual prison	Unknown	Vegetables; no livestock operations	Unknown	Correctional facilities	Unknown
<b>South Carolina</b>	Corrections; not incorporated with other prison industries	3 sites; 10,000 acres	\$3.0 million	70% revenue supported - hope to be 100% within the next 5-10 years	Milk, beef, pork, honey, eggs, vegetables, row crops, timber	Dairies, flash-freeze operation, layer (poultry) facility	Primarily correctional facilities; surplus frozen fruit and vegetables sold on private market; beef and pork sold on private market so food service can buy back cheaper cuts; looking for contracts	350 on farm; 3,500 employed in food service

**Appendix B  
Overview Of Farm Operations Surveyed**

<b>Tennessee</b>	Tri-Core (Tennessee prison industries); separate agency from Corrections	4 farms; largest is 6,000 acres	\$3.0 million	Revenue supported - breaks even	Milk, beef, tobacco, hay, soybeans, milk, vegetables (depending on market outlook)	2 dairies	Primarily correctional & mental health facilities; milk sold exclusively to other state agencies; beef and other products may be sold on private market	100; view inmate labor as expensive due to constraints and supervision
<b>Virginia</b>	Corrections; not incorporated with other prison industries	28 sites 20,000 acres	\$5.8 million	Revenue supported - breaks even	Beef, Pork, Milk, Timber, Fruit, Vegetables, Honey	2 dairies; 3 sawmills, flash-freeze plant, fresh produce distribution center, fish processing, swine processing	Prisons, regional jails, mental health facilities, juvenile facilities & schools; pork & beef sold on private market so food service can buy back cheaper cuts; vegetables sold at farmers' markets	1,200

**Appendix B  
Overview Of Farm Operations Surveyed**

<b>West Virginia</b>	Agriculture; not incorporated with other prison industries	12 sites; 9,000 acres	\$1 million	(\$242,000) excluding appropriation	Beef, pork, potatoes, row crops (corn & hay)	None (Huttonsville C.C. does some meat processing for that facility only)	Correctional and mental health facilities; other state institutions; small amounts of surplus sold on open market after institutional needs met	20-25 (125 during potato harvest)
----------------------	--	-----------------------	-------------	-------------------------------------	--	---	---	-----------------------------------





# Appendix C: Transmittal Letter to Agency

---

## WEST VIRGINIA LEGISLATURE *Performance Evaluation and Research Division*

Building 1, Room W-314  
1900 Kanawha Boulevard, East  
Charleston, West Virginia 25305-0610  
(304) 347-4890  
(304) 347-4939 FAX



John Sylvia  
Director

October 3, 2002

Jean Smith, Director  
Marketing and Development Division  
West Virginia Department of Agriculture  
1900 Kanawha Boulevard East  
Charleston, West Virginia 25305-0178

Dear Ms. Smith:

This is to transmit a draft copy of the Preliminary Performance Evaluation of the Marketing and Development Division of the West Virginia Department of Agriculture. This report is scheduled to be presented at the Sunday, October 20, 2002 interim meeting of the Joint Committee on Government Operations. It is expected that a representative from your agency be present at the meeting to orally respond to the report and answer any questions the committee may have.

We would like to schedule an exit conference as soon as possible. Please notify us to schedule an exact time. In addition, we need your written response by noon on Wednesday, October 9, 2002 in order for it to be included in the final report.

We request that your personnel treat the draft report as confidential and request that it not be disclosed to anyone except those agency employees who will prepare the response to the report or who will participate in the exit conference. Thank you for your cooperation.

Sincerely,

A handwritten signature in cursive script that reads "John Sylvia".

John Sylvia

Enclosure

---

*Joint Committee on Government and Finance*

---



# Appendix D: Agency Response

---



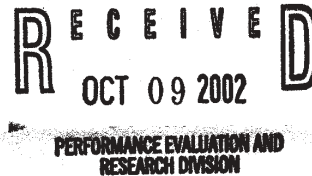
State of West Virginia  
**DEPARTMENT OF AGRICULTURE**  
Gus R. Douglass, Commissioner

Janet L. Fisher  
Deputy Commissioner

Steve Hannah  
Deputy Commissioner

October 9, 2002

Mr. John Sylvia, Director  
Performance Evaluation and Research Division  
West Virginia Legislature  
Building 1, Room W 314  
1900 Kanawha Boulevard, East  
Charleston, West Virginia 25305-0610



Dear Mr. Sylvia:

I have received the draft copy of the Preliminary Performance Review of the Marketing and Development Division of the West Virginia Department of Agriculture. As per your cover letter, we will have agencies representatives present at the October 20 meeting to respond to any questions that the committee may have.

The Marketing and Development Division staff members are a group of very hardworking professionals, and I am very proud of their many accomplishments and of their service to the citizens of the State of West Virginia. Thank you for the recommendation that our Division be continued.

I have reviewed the findings regarding the Lands Section with Assistant Directors Tom Carson and Dwayne O' Dell. We offer the following points for your consideration.

The goals for the Lands Section of the Marketing and Development Division of the West Virginia Department of Agriculture are:

1. To provide commodities to the various state institutions.
2. To utilize inmate labor on a regular basis at both Huttonsville and Pruntytown Correctional facilities.
3. To maintain the properties until a better use can be determined.

Unfortunately, the level of funding for this section has not permitted that these programs to be as productive, nor efficient as we have desired. The farms suffer the same weather conditions (i.e.: droughts) that other West Virginia farms have. To the credit of our farm employees, during the 1999 drought we were able to manage the cow herds without the additional purchase of hay or feeds, and without sacrificing the performance of the cow herds. This enabled us to continue to provide commodities to the state institutions at no increased cost.

State Capitol • 1900 Kanawha Boulevard, East • Charleston, WV 25305-0170 • (304) 558-3550

---

Mr. John Sylvia, Director  
October 9, 2002

The utilization of inmate labor has been an ongoing problem. This issue is difficult for both the Lands Section employees and those of the Correctional facilities. In some cases, the status of the institutions have been upgraded from minimum to maximum, therefore reducing the number of available inmates. The institutions routinely classify inmates as unacceptable for farm workers, and perhaps, the percentages in the Performance Report do take these factors into consideration. Also, as a result of utilization of inmate labor, we estimate an increase of up to 50 -75% in equipment repairs over normal, due to the use of inmate labor.

We recognize that there are certain limitations in purchasing commodity foods through the Lands Section, but feel that the institutions are receiving high quality foods at a fair price. We must consider that the production of beef and pork, as well as other plant crops requires at least one year of advance notice of need. For example, typically it requires two years from the time of conception until delivery of the product to the institution. As a result, with the rising population of the institutions and increased demand for product, it is necessary that animals be purchased through the open market. Please note, potatoes that are grown at Huttonsville Farm are packaged in 50 pound bags and **not** 150 pound bags.

A meeting had previously been scheduled with the Commissioner of Corrections and Department of Agriculture personnel to discuss the inmate labor situation and other issues that affect both agencies, but was cancelled at the request of the Corrections Commissioner.

In summary, I believe that we have made limited progress since 1996, on very limited funds. Several improvements can be achieved with some changes in management style, improved program development with other agencies and most importantly a higher level of funding. In fact, I believe that this situation could be compared to the Department of Transportation not being able to maintain an equipment budget, but expected to build new roads and to improve and maintain the current highway system in our state.

I look forward to meeting with you and your staff on October 16, and the Joint Committee on Government and Finance on October 20.

Sincerely yours,



Jean Smith  
Director  
Marketing & Development Division

c: Commissioner Gus R. Douglass  
Deputy Commissioner Janet L. Fisher  
Deputy Commissioner Steve Hannah  
Assistant Director William T. Carson  
Assistant Director Dwayne O'Dell  
Assistant Director Dan Woodrum