Sustainable Agriculture: The Key to Health and Prosperity

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The Changing Face of Farming

Productivity, Finance and Condition of Mid-sized Farms

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Percent Change in U.S. Farms by Sales Category, 1997 to 2007

- < $5,000
- $5,000 to $25,000
- $25k to $49,999
- $50k to $99,999
- $100k to $499,999
- > $500,000

Sales 1 and Sales 2
Percent Change in U.S. Farms by Sales Category, 2002 to 2007

- < $5,000: 5%
- $5,000 to $25,000: -0.5%
- $25K to $49,999: -1.5%
- $50K to $99,999: 0%
- $100K to $499,999: 15%
- > $500,000: 25%

[Diagram showing percent change in U.S. farms by sales category from 2002 to 2007. Each sales category has a bar that represents the percentage change.]
Increasing Crop Prices are ...

Comparison of Prices in July 2007 vs. Average 2001-05

- Crop Prices: 30%
- Input Prices: 22%

... being followed by increasing costs for crop production inputs (including interest, taxes, and wage rates)

Source: original calculations using data from U.S. Department of Agriculture, National Agricultural Statistics Service.

September 20, 2007
Carl Zulauf, AED Economics
Farm Production Balance in U.S., 1929 - 2009
Source: USDA/ERS. Chart by Ken Meter, 2009
Choosing a Marketing Path

Michael Porter: There are Two ways to be competitive in a global economy:
1. being the lowest cost supplier of an undifferentiated commodity, (price) or
2. providing the market with a unique and superior value in terms of product quality, special features or after-sales service. (differentiation)

While not impossible it is “extremely difficult for the same firm to do both”

--The Competitive Advantage of Nations
“Our company’s marketing strategy is based on memory, romance and trust.”

---Rick Schnieders, Former President and CEO, SYSCO Corporation

(Keynote, Practical Farmers of Iowa annual conference, January 25, 2003)
Agricultural Quadrants – Value & Scale

1. Specialty

2. Opportunity

3. Price & Scale

4. Death Zone

Differentiated

Very Small

Very Large

Commodity
Option #1 – Get Big

1. Specialty
   - Very Small

2. Opportunity
   - Very Large

3. Price & Scale
   - Buy Out Farms
   - Consolidate
   - Specialize

4. Death Zone
   - Commodity Family Farmers

Commodity
Option #2 – Convert to Specialty

1. Specialty
   - Switch to Specialty Crops
   - Sell via Direct Markets
   - Internet Sales

2. Opportunity

3. Price & Scale

4. Death Zone

Option #2 Convert to Specialty

Commodity

Family Farmers

Commodity

Very Small

Very Large
Option #3 – Create New Opportunity

1. Specialty

   Very Small

2. Opportunity

   - Differentiate with Value-added Attributes.
   - Preserve local / regional focus.
   - Aggregate values-based value chains, farmer owned brand

3. Price & Scale

   Very Large

4. Death Zone

   Commodity Family Farmers
What is a V-B value chain?

A values-based chain is a long-term network of partnering businesses working together to maximize value for the partners and the end customers of a valued product.

Supply chain – farmer as input supplier
Values-based value chain – farmer as partner
Emerging Examples

- Shepherds Grain
- Natural Country Beef
- Organic Valley of Family Farms
- Tall Grass Beef
- Niman Ranch
- Heritage Acres
- Red Tomato
Shepherd’s Grain on CNN

Is It Realistic?

“Our dream, however, was to partner with the growers and succeed together. We would be there for them, and we wanted them to be there for us.”

---Ron and Arnie Koss, *The Earth’s Best Story* (a forthcoming book, Chelsea Green)
"Yes, we paid growers more, and yes, this ultimately made Earth’s Best more expensive, but this was the price of a fair reality built upon what we valued most and wanted Earth’s Best to stand for: ‘relationship,’ relationship to the earth, to children, to growers, to employees, to investors, and to ourselves."

---Ron and Arnie Koss
For More Information on Ag of the Middle as one new Business model

Questions?