



AgEcon SEARCH

RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

The World's Largest Open Access Agricultural & Applied Economics Digital Library

This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.

Help ensure our sustainability.

Give to AgEcon Search

AgEcon Search

<http://ageconsearch.umn.edu>

aesearch@umn.edu

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

No endorsement of AgEcon Search or its fundraising activities by the author(s) of the following work or their employer(s) is intended or implied.

Historic, Archive Document

Do not assume content reflects current scientific knowledge, policies, or practices.

NEW USES: TWO IMPEDIMENTS — UNLIMITED POTENTIAL

Jonathan Harsch
Contributing Editor, *Farm Futures*

Timeframe — timeframe is everything.

Read Peter Drucker, Tom Peters. The typical corporate mentality still doesn't read, listen or learn. It's bottom line. . . . next quarter. . . . you have 12 minutes to clear out your desk. . . .

For anyone caught up in the corporate timeframe, new industrial uses of agricultural commodities is an alternative that lacks immediate appeal — because it doesn't look like an immediate career enhancer. That's why it's still a minority working hard to develop new uses — why the majority of corporate behemoths don't get it — and why a few forward-looking corporate leaders, such as some of the major oil companies, *are* investing in new uses.

Those of us with children calculate college costs 20 years out. Those of us concerned with the legacy we pass along to future generations, those of us determined to reverse the global tide of environmental damage, those of us writing books or government programs, those of us who take the time to attend new uses meetings care deeply about 10 and 20 and even 100 years into the future.

The question for this USDA Ag Outlook Forum is a critical one: What can the permanent minority of people with a long-term perspective do to make new industrial uses happen as quickly and efficiently as possible? How can we help the world benefit from the economic and environmental gains offered by a massive switch in purchasing habits — a global switch to biobased renewable, recyclable products in place of non-renewable, environmentally harmful products?

'95 Farm Bill

It is very possible that the 1995 Farm Bill offers an unbeatable one-time opportunity to take the fledgling new uses movement and send it soaring into flight.

Conventional wisdom — and congressional inertia — tell us that the '95 Farm Bill will be a clone of past bills, simply whittled down 20 percent by the budget hawks. Nothing new. No major changes. Nothing to seriously disrupt the status quo or undermine the established centers of power inside government and inside private industry. The pie gets smaller — but everyone getting a slice today will go on getting a slice, only a bit less filling.

Yet there may be a far brighter vision for U.S. farm policy — a vision of a farm sector that thrives through delivering new nationwide benefits: the benefits of constantly improving the nation's

environmental and economic performance. This vision includes a pie that gets bigger and better for everyone.

Timeframe is the first factor. Think long-term. Think of the five-year '95 Farm Bill as setting the stage not only for the next five years, but for the next 10, 50 and 100 years.

Short term, it makes little economic sense to invest in developing future industrial uses for agricultural commodities. Longer term, there no alternative. It's just a question of how many more years we delay before making the obvious improvements to our agricultural marketing, processing and production systems so that agriculture can assume its natural leading role in a renewable-resource-based economy.

The Farming Business

Another key factor affecting the progress of new uses may be farmers themselves.

Thousands of American farmers today are astute business owners, making sound investment decisions based on solid, bankable, long-term business plans. Yet talk to these farmers. Many of those I talk to think of themselves as business leaders — which they are — and no longer think of themselves as farmers. They separate themselves from the traditional image of the farmer.

Perhaps one necessary shift is for the nation's dwindling minority of farmers to see themselves as in a business like any other business — a business that must constantly adapt and improve in order to survive. It is likely that until the farm sector as a whole becomes more businesslike and creates a new "farmers-mean-business" public image, it will be difficult for non-ag private industry to work more closely with the farm sector and switch over to purchasing the bulk of its raw materials from agriculture.

There are sound economic reasons for farmers to make the switch. Two inescapable facts are that the human stomach can only hold a limited amount of food — and the human body can only carry a limited amount of clothing. As long as the U.S. farm sector relies on providing food, feed and fiber as its predominant source of income, this income will be limited and farmers will continue to fight for government support. Export markets will never offer a long-term solution since foreign stomachs are just as inelastic as domestic stomachs. It is a non-story today to have the "basket-case" countries of a decade ago become food exporters as their economies improve and their population growth slows.

Because long-term world demand for food, feed and fiber is limited, the U.S. farm sector should not expect to prosper unless it successfully develops new non-food markets. Until major new markets are created, farmers will struggle. New industrial uses promises to become a constantly expanding market. This market already exists on a small scale and it can be expanded quickly.

As one example of the potential for new uses, there is tremendous and growing demand for plastics. Biobased plastics already commercially available offer significant performance improvements as well as environmental benefits. Yet for the well-established plastics industry to switch over to using seed oils as its primary feedstock, the industry must have full confidence that there will be reliable sources of supply at competitive prices. Without regard to environmental benefits, private industry must be assured of economic advantages from making even a partial switch to biobased raw materials.

Farm/Non-Farm Partnership Needed

Corporate America as a whole must think longer term before it will switch from hydrocarbon to agricultural feedstocks. Farmers as a whole must become more businesslike to facilitate this switch. In order to gain a greater share of the potentially lavish rewards from developing new industrial uses for their crops, farmers must be willing to accept more of what every other business accepts — a major share of the risk.

Farmers must understand that they have the opportunity to develop entirely new markets with unique needs that they can satisfy in unique ways. There is a window of opportunity for farmers to become partners with private industry in the truest sense by jointly developing a new biobased products delivery system. Farmers should be equity partners and share in the value-added income — not just be the source of cheap raw materials.

Such changes almost certainly will take place. The only question is how fast. Will the changes come fast enough to prevent further erosion of the farm sector economy? Will the changes come fast enough to prevent further human-health and environmental damage from the continued use of petroleum as the primary fuel and feedstock for American industry?

The '95 Farm Bill could facilitate the necessary changes. It could offer economic incentives to both farmers and private industry to work together in developing new uses for agricultural products.