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Agricultural Outlook Forum  
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Farming's Future:  
The Next Generation

Gary Matteson

# **Farming's Future: The Next Generation**

**Gary Matteson, Farm Credit Council**

**VP Young, Beginning, Small Farmer Programs and Outreach**





# Looking to the Future

- **must know where beginning farmers are**
- **what beginning farmers are doing**
- **what are expected credit needs**
- **how they are changing what they do**

# Farm Credit's Mission to serve Young, Beginning, and Small Farmers


New loans made in 2010 to:

Young: \$7.3 billion

**Beginning: \$10.3 billion**

Small: \$13.1 billion





1/3 of farm households run independent businesses

# On-farm diversification





**Off-farm business ownership**

**Together: \$29 billion in 2007**







A photograph of a field of grain, likely wheat or barley, at sunset. The sun is low on the horizon, creating a warm, golden glow that illuminates the sky and the tops of the grain. The sky is filled with soft, wispy clouds, and the overall atmosphere is peaceful and serene. The grain in the foreground is dark, almost black, due to the low light, while the sun's glow creates a strong silhouette effect.

# Realignment to “Retail Agriculture”

**Formerly: “alternative agriculture”**

**Now:**

- Pervasive and Popular**
- Economically significant**
- Unconfined as to product or region**

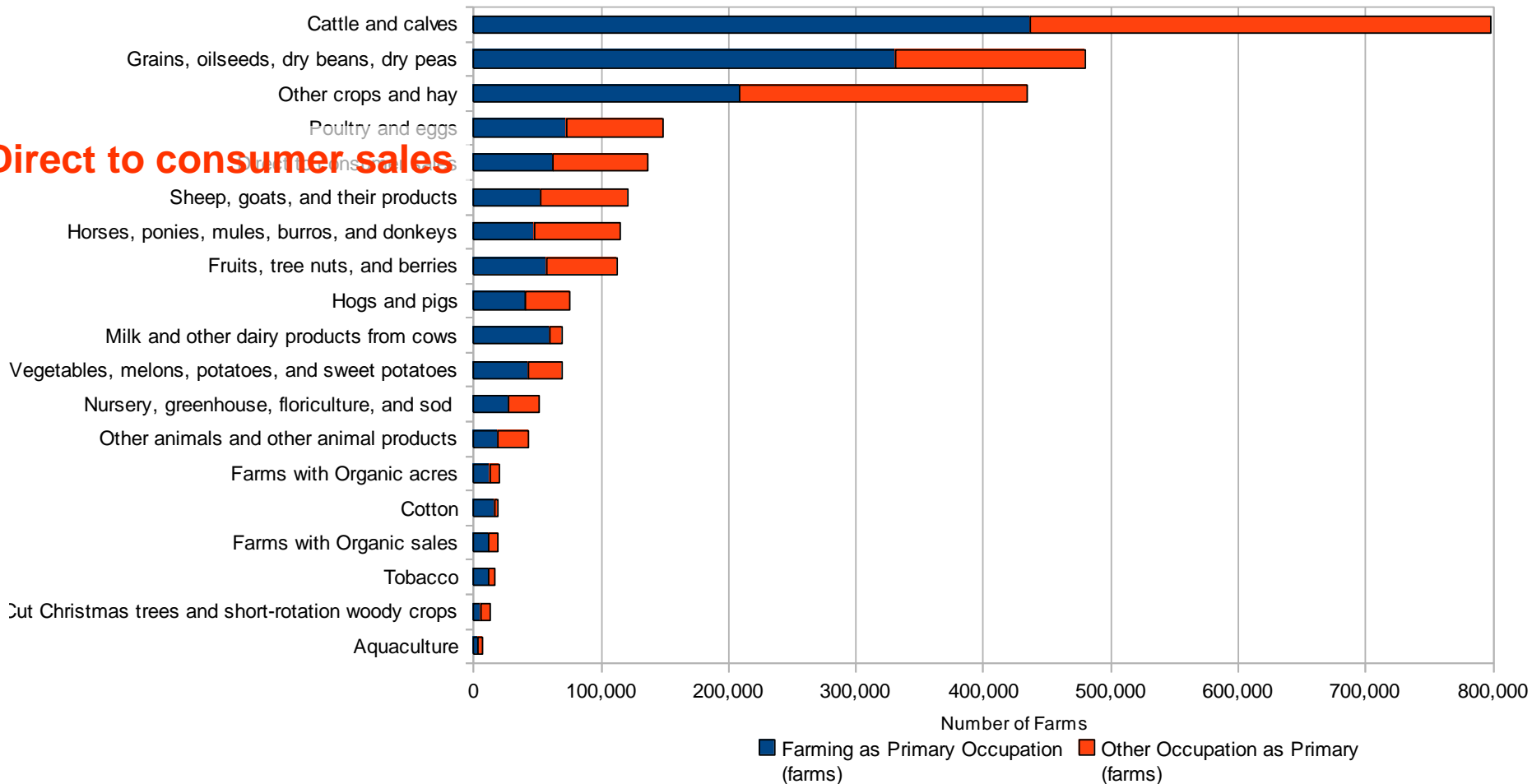
# Pervasive ...If marketing channels were commodities...

Rank of farming activity, including market types, by farming as primary or other occupation

Rank of Farm Products and Market Types

2007 Agricultural Census

**Direct to consumer sales**





**Economically significant...**

- organic, direct, local      \$8 billion
- cotton, rice      \$7 billion

National Ag Statistics Service, 2007

Bethel Road

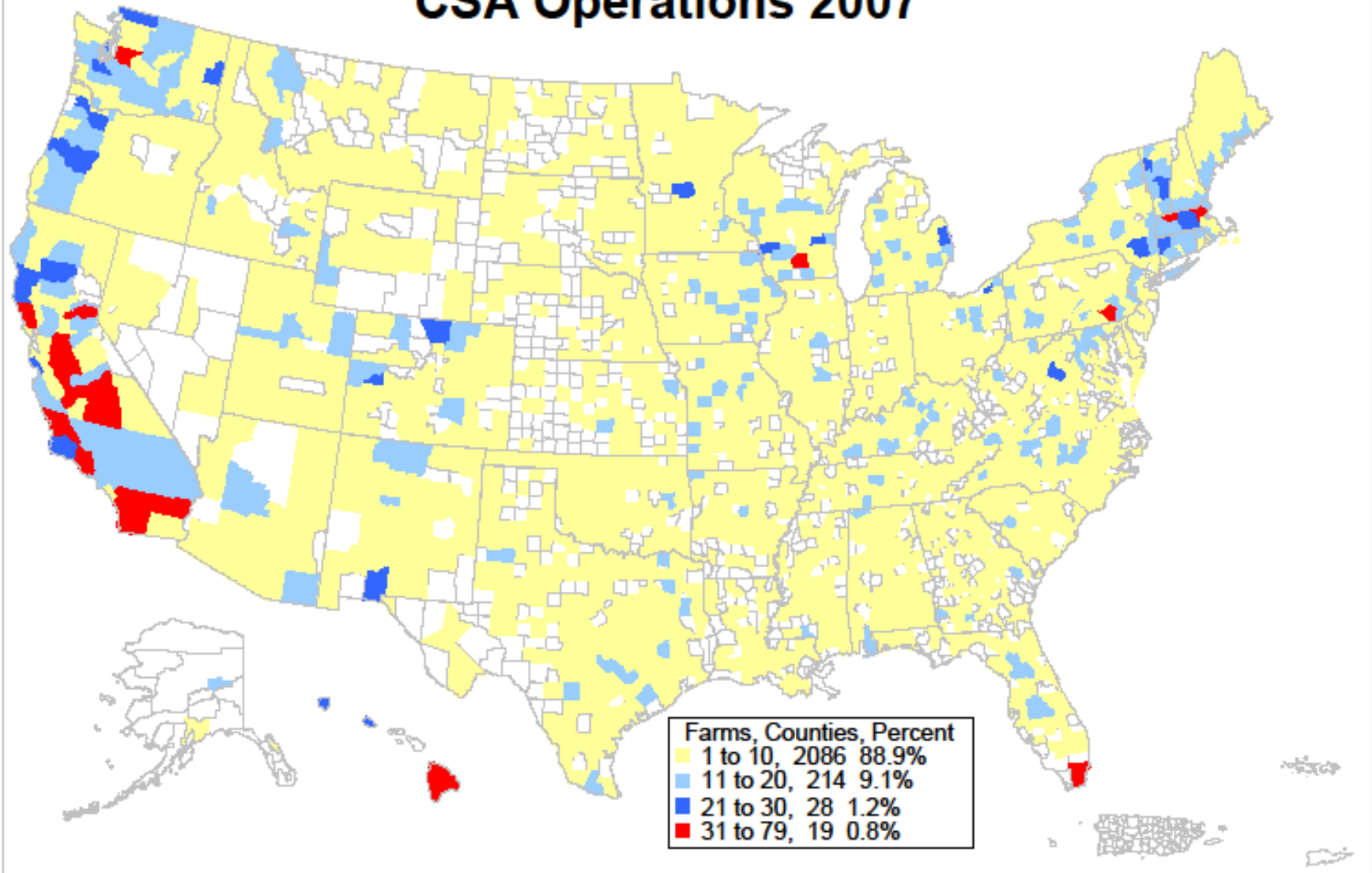
# Expected financial performance of Retail Agriculture business models\*

	<b>Wholesale Vegetable</b>	<b>Retail Farm Market</b>	<b>CSA</b>
<b>Acreage owned</b>	100	100	100
<b>Acreage in Production</b>	80	40	25
<b>Typical Number of Customers</b>	Fewer than 10 brokers	10,000 retail customers	750 shares
<b>How products are sold</b>	Wholesale, large quantities, by the box	Retail, small amounts, by the pound or piece	"share" entitling a certain amount of product per week for the season
<b>Sales per transaction</b>	Several thousand \$\$\$	\$20-30	\$300-600
<b>Sales</b>	100%	100%	100%
<b><u>Cost of Goods Sold (w/ labor)</u></b>	<u>76%</u>	<u>60%</u>	<u>65%</u>
<b>Gross Margin</b>	24%	40%	35%
<b><u>Overhead</u></b>	<u>20%</u>	<u>30%</u>	<u>15%</u>
<b>Net Margin</b>	<b>4%</b>	<b>10%</b>	<b>20%</b>
<b>Number of crops grown</b>	15-20	20-30	75-100
<b>Working Capital borrowed</b>	50% of crop	15% of crop	Less than 5% of crop
<b>Gross Sales</b>	\$640,000 (\$8,000/ac gross X 80 acres)	\$1,000,000 (10,000 customers average sale \$25, 4 times a year)	\$450,000 (750 shares at \$600)
<b>Net Profit</b>	<b>\$26,000</b>	<b>\$100,000</b>	<b>\$90,000</b>
<b>Working Capital Cost</b>	Interest from planting through harvest, (at least half a season)	Interest through part of season; steadier cash flow, not one big chunk	None, as shares are pre-paid
<b>Inventory</b>	None	Must maintain inventory of related products and sell seasonally	None

**\*Illustration of synthetic archetypes based on case studies**

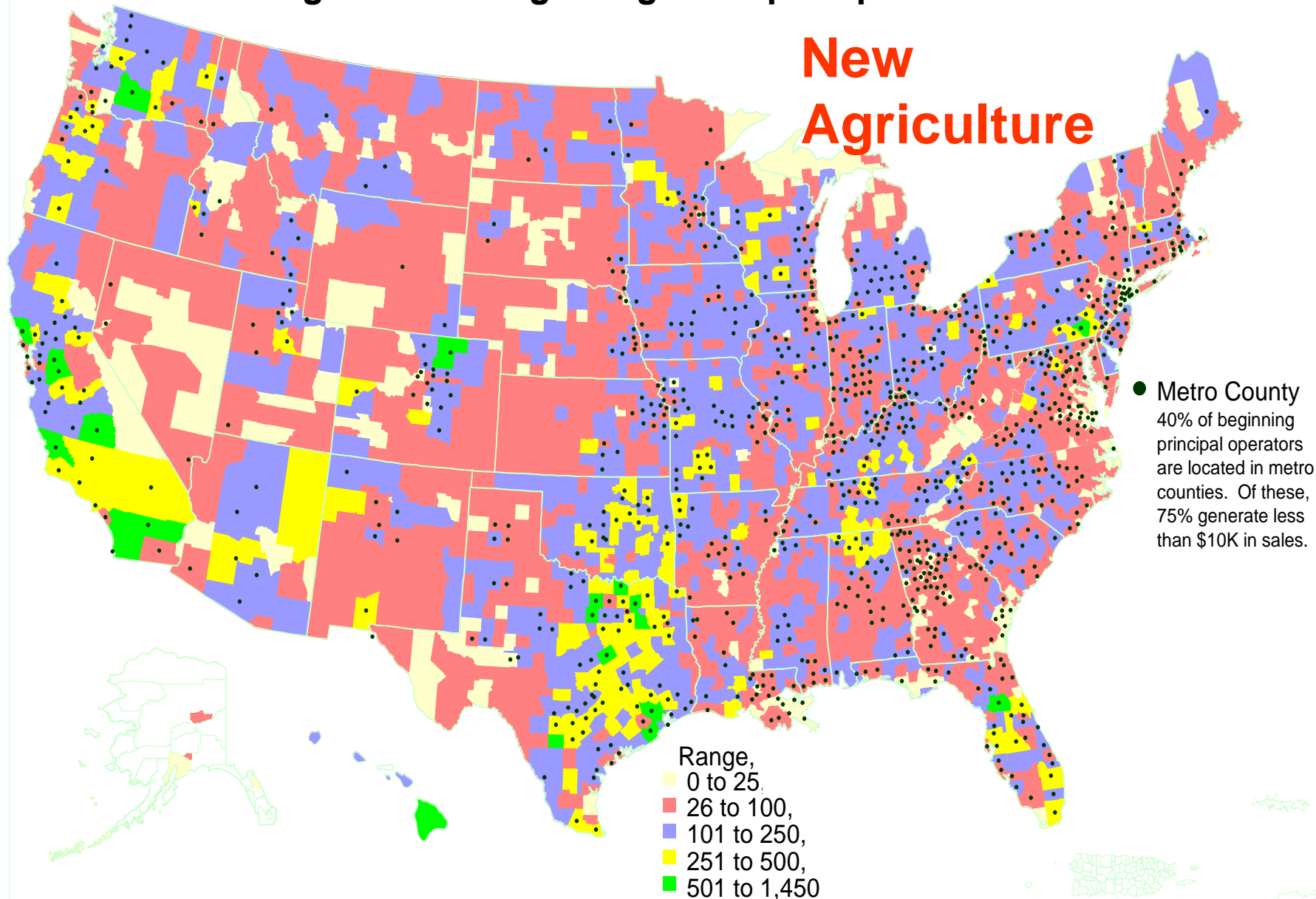
# Unconfined as to product or region...

## CSA Operations 2007



# 2007 Ag Census: Beginning Principal Operator Farms

## New Agriculture



# **Retail Agriculture is characterized by:**

- Consumer oriented marketing rather than processor/integrator oriented
- Diversified in agricultural production instead of specialized
- Highly diversified marketing arrangements
- Different business models, but profitable
- Work around a less well developed distribution system (and infrastructure)

# **Retail Agriculture is characterized by:**

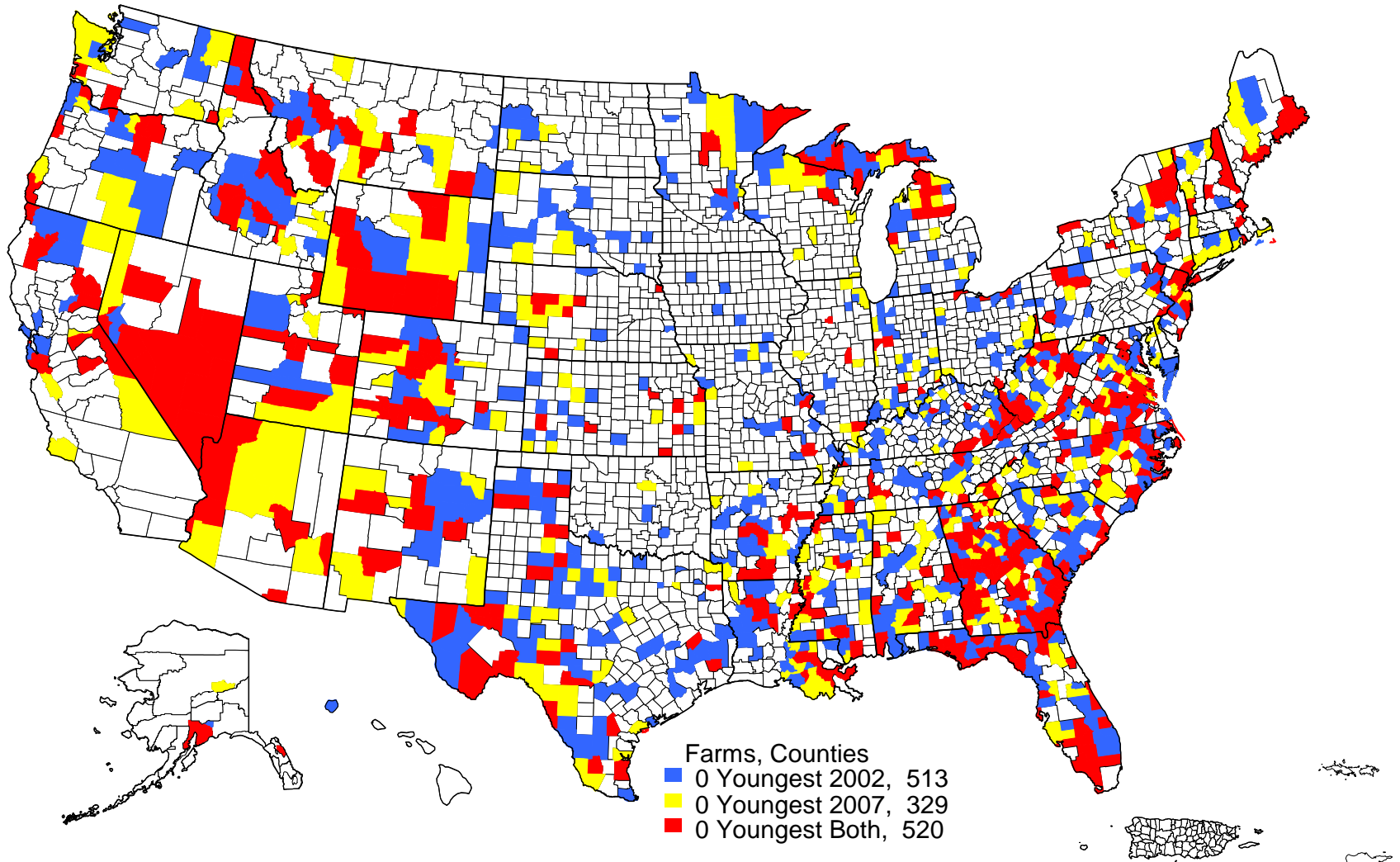
- Gaining efficiency by intensive layering of multiple related businesses into farms
- Addition of new farms in direct-to-consumer markets to meet demand
- Use of new production techniques and information technology to boost profitability
- Promoting community among non-farmers

# Implications for YBS farmers

- Emphasis on entrepreneurial skills that are portable from farm to off-farm jobs
- Greater occupational mobility
- Multiple job-holding and multiple enterprises will be seen as stable income
- Core relationship of farm business to the community will change (farmers seen as rooted entrepreneurs/employers)

# Where the Next Generation Isn't

## Counties Without Farmers Age 25 or Younger



# The Emergence of Retail Agriculture

<http://fccouncil.com/ybs/>

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