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Agricultural Outlook Forum
U.S. Department of Agriculture

Presented: February 23-24, 2012

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









Realignment to “Retail Agriculture”

Formerly: “alternative agriculture”

Now:

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

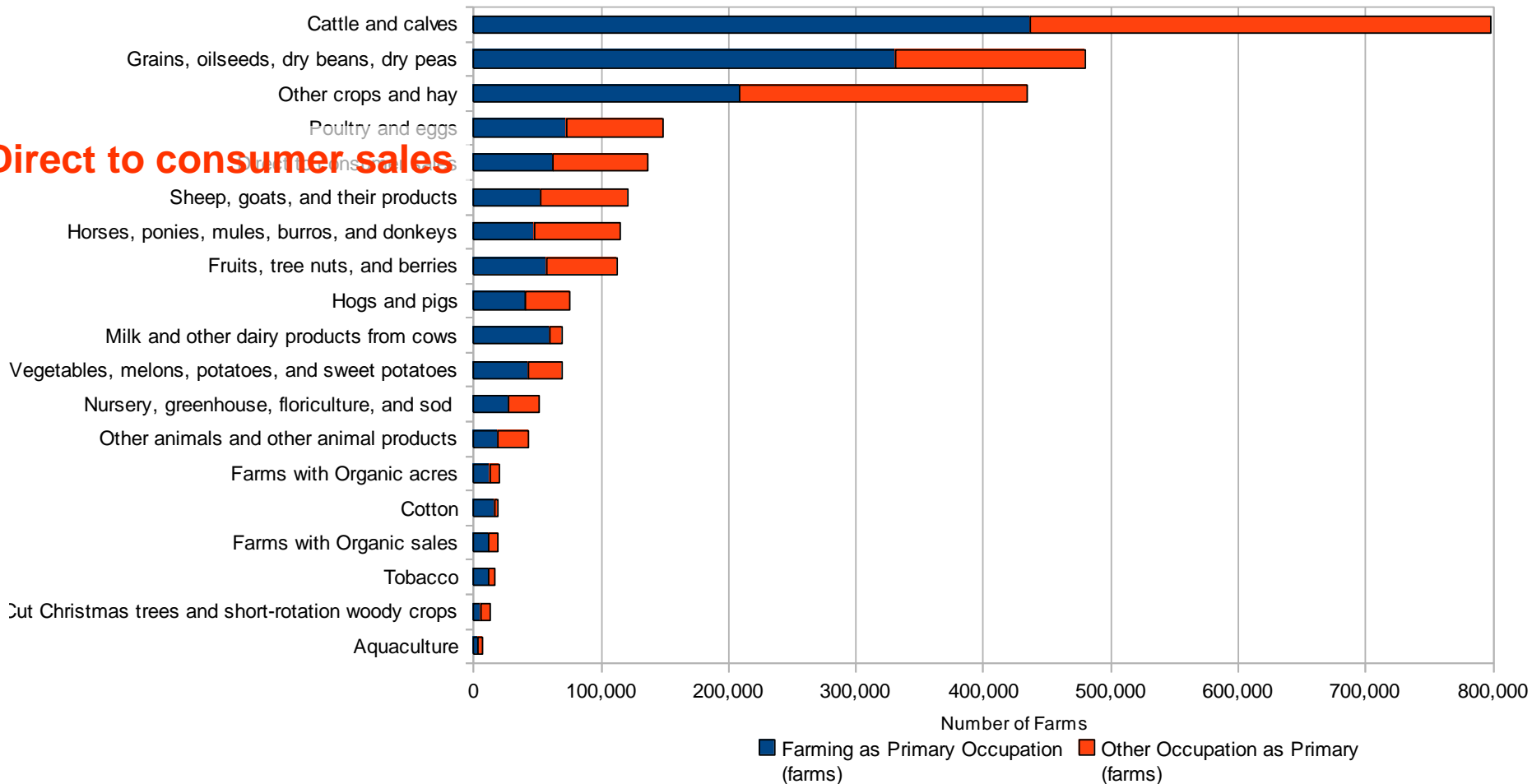
Pervasive ...If marketing channels were commodities...

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

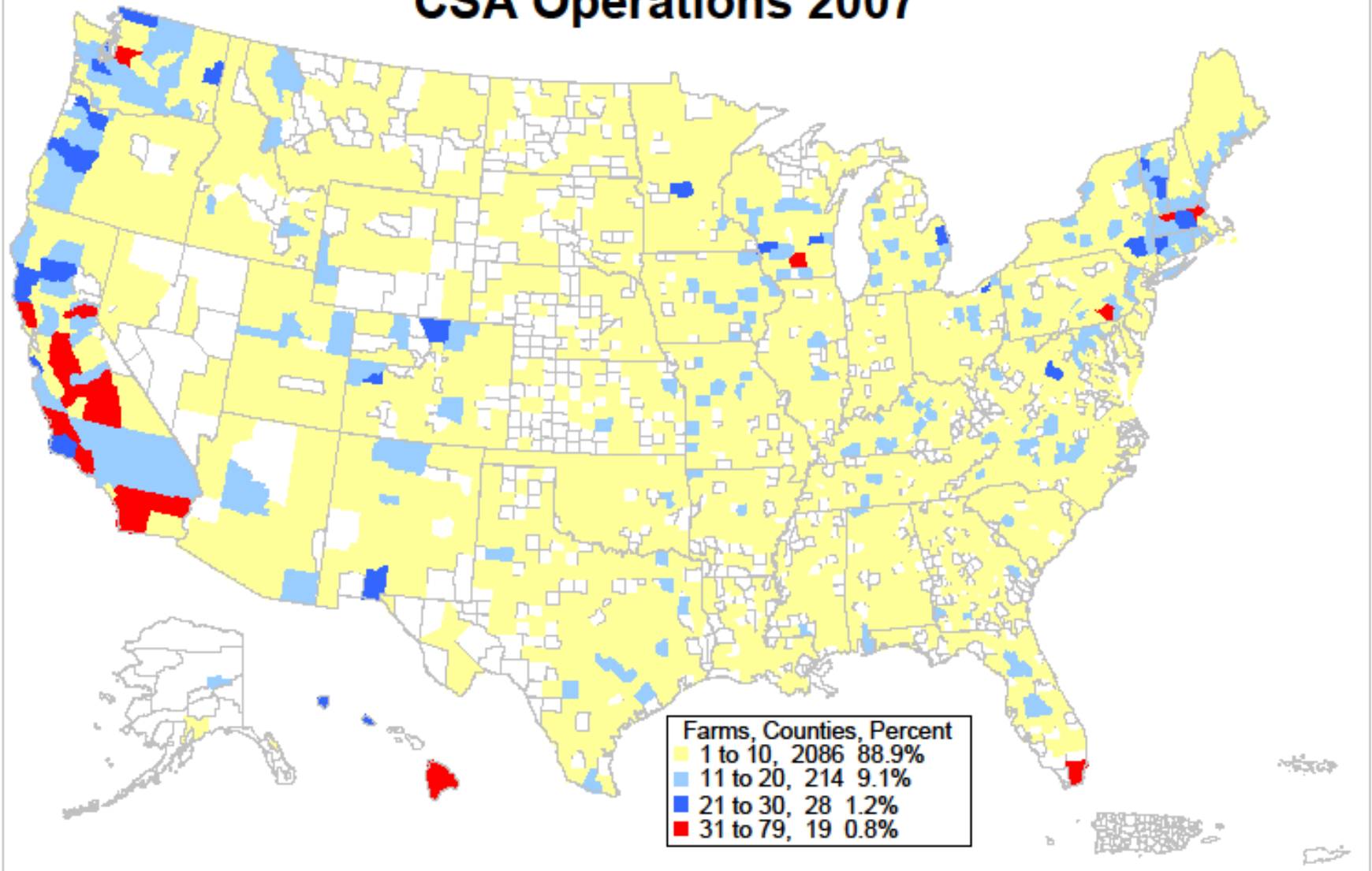
Expected financial performance of Retail Agriculture business models*

	Wholesale Vegetable	Retail Farm Market	CSA
Acreage owned	100	100	100
Acreage in Production	80	40	25
Typical Number of Customers	Fewer than 10 brokers	10,000 retail customers	750 shares
How products are sold	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
Sales per transaction	Several thousand \$\$\$	\$20-30	\$300-600
Sales	100%	100%	100%
<u>Cost of Goods Sold (w/ labor)</u>	<u>76%</u>	<u>60%</u>	<u>65%</u>
Gross Margin	24%	40%	35%
<u>Overhead</u>	<u>20%</u>	<u>30%</u>	<u>15%</u>
Net Margin	4%	10%	20%
Number of crops grown	15-20	20-30	75-100
Working Capital borrowed	50% of crop	15% of crop	Less than 5% of crop
Gross Sales	\$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)
Net Profit	\$26,000	\$100,000	\$90,000
Working Capital Cost	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
Inventory	None	Must maintain inventory of related products and sell seasonally	None

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

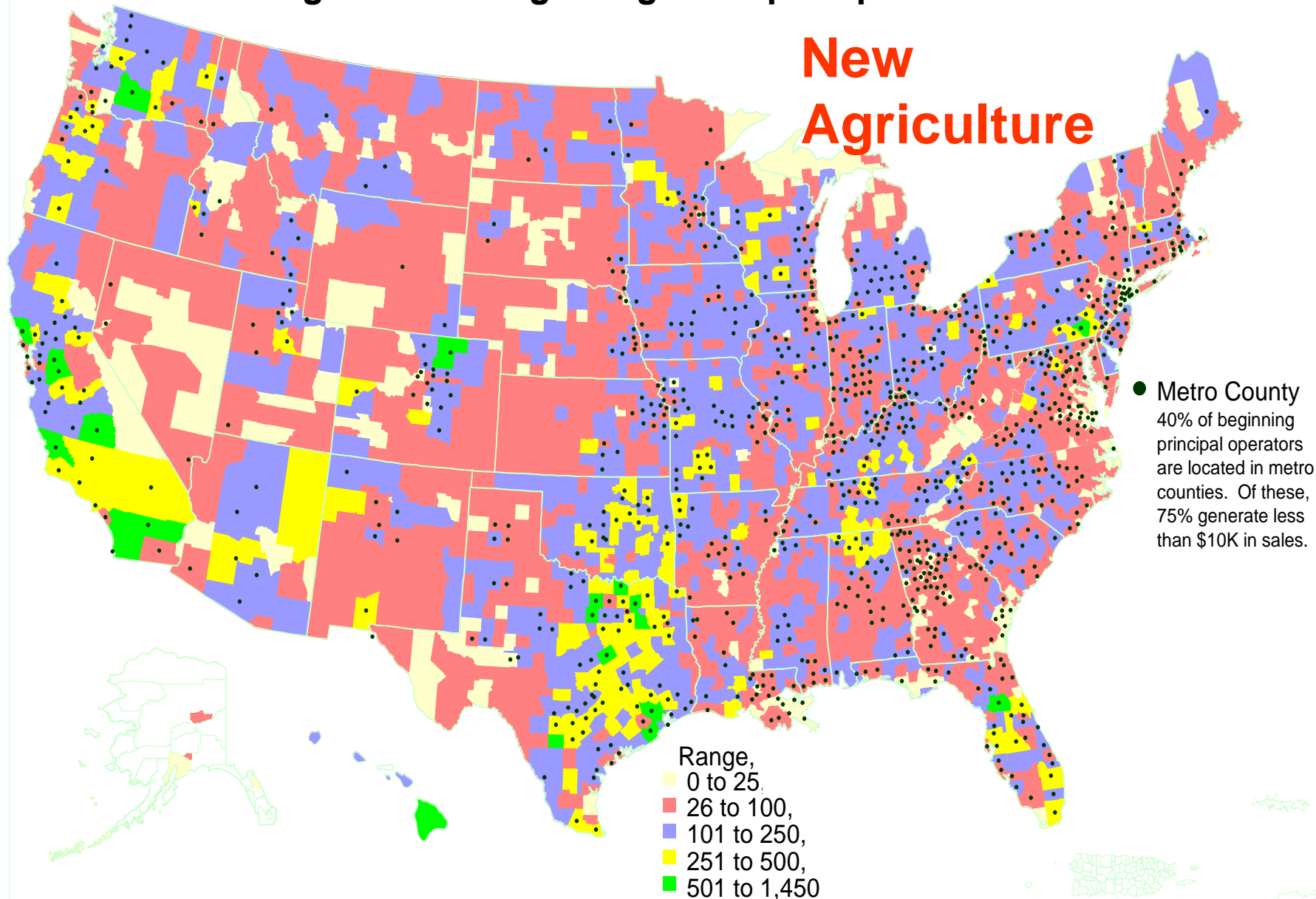
Unconfined as to product or region...

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:

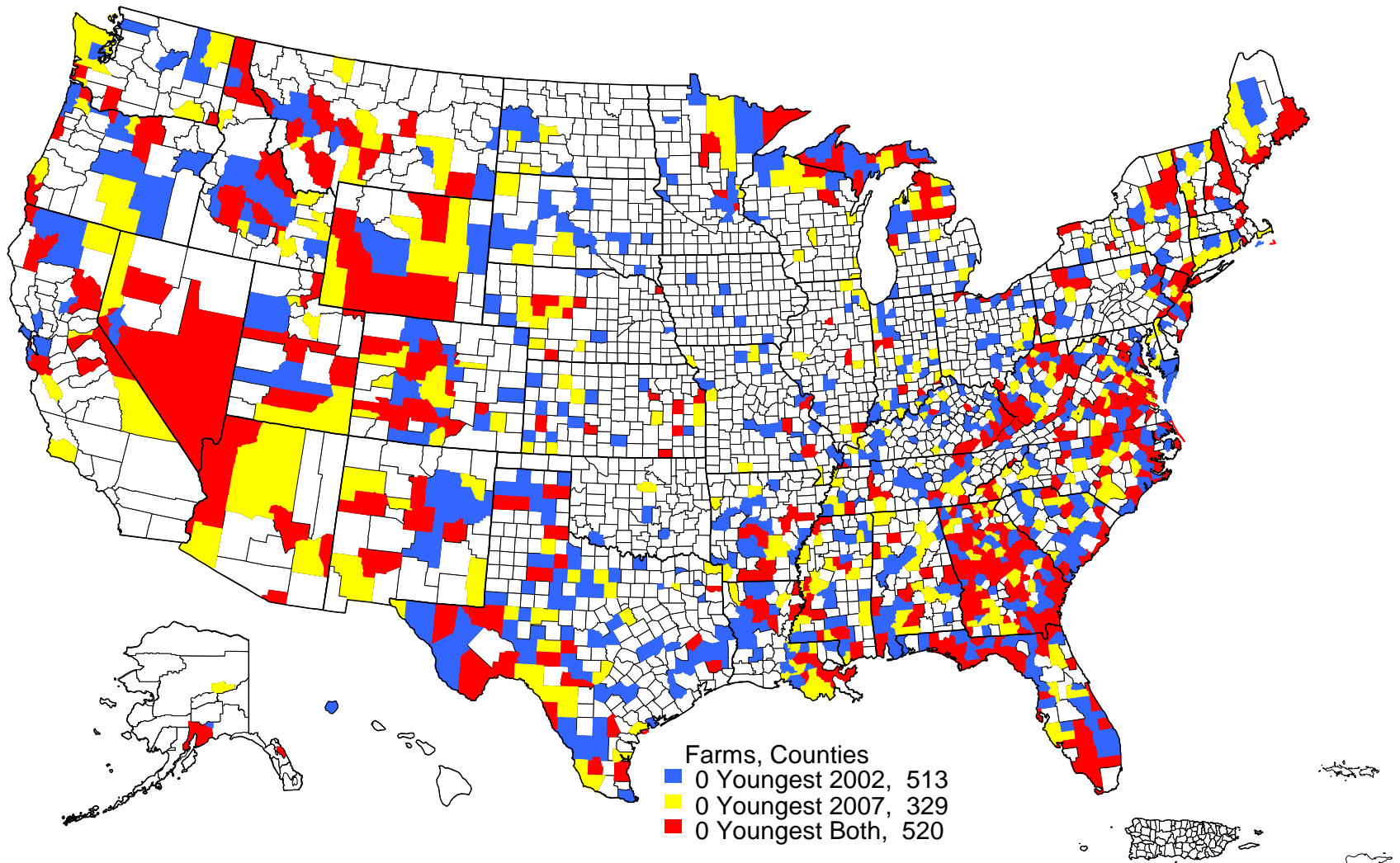
- Gaining efficiency by intensive layering of multiple related businesses into farms
- Addition of new farms in direct-to-consumer markets to meet demand
- Use of new production techniques and information technology to boost profitability
- Promoting community among non-farmers

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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