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Sustainable Agriculture: The Key to Health and Prosperity

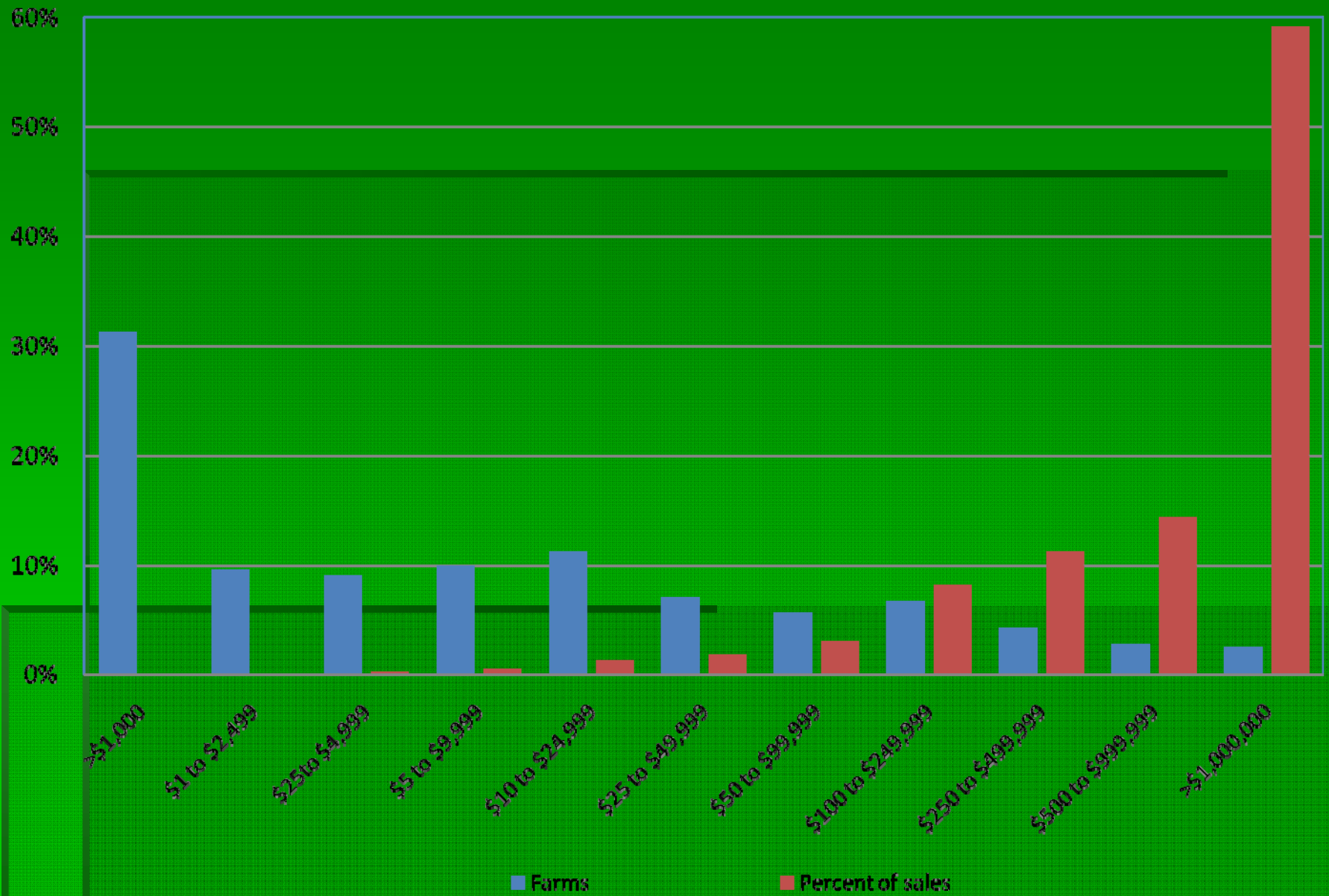
USDA 86th Agricultural Outlook Forum
Washington, DC , Feb. 19, 2010

The Changing Face of Farming

Productivity, Finance and Condition of Mid-sized Farms

Frederick Kirschenmann
Distinguished Fellow, Leopold Center
President, Stone Barns Center for Food and Agriculture
leopold1@iastate.edu

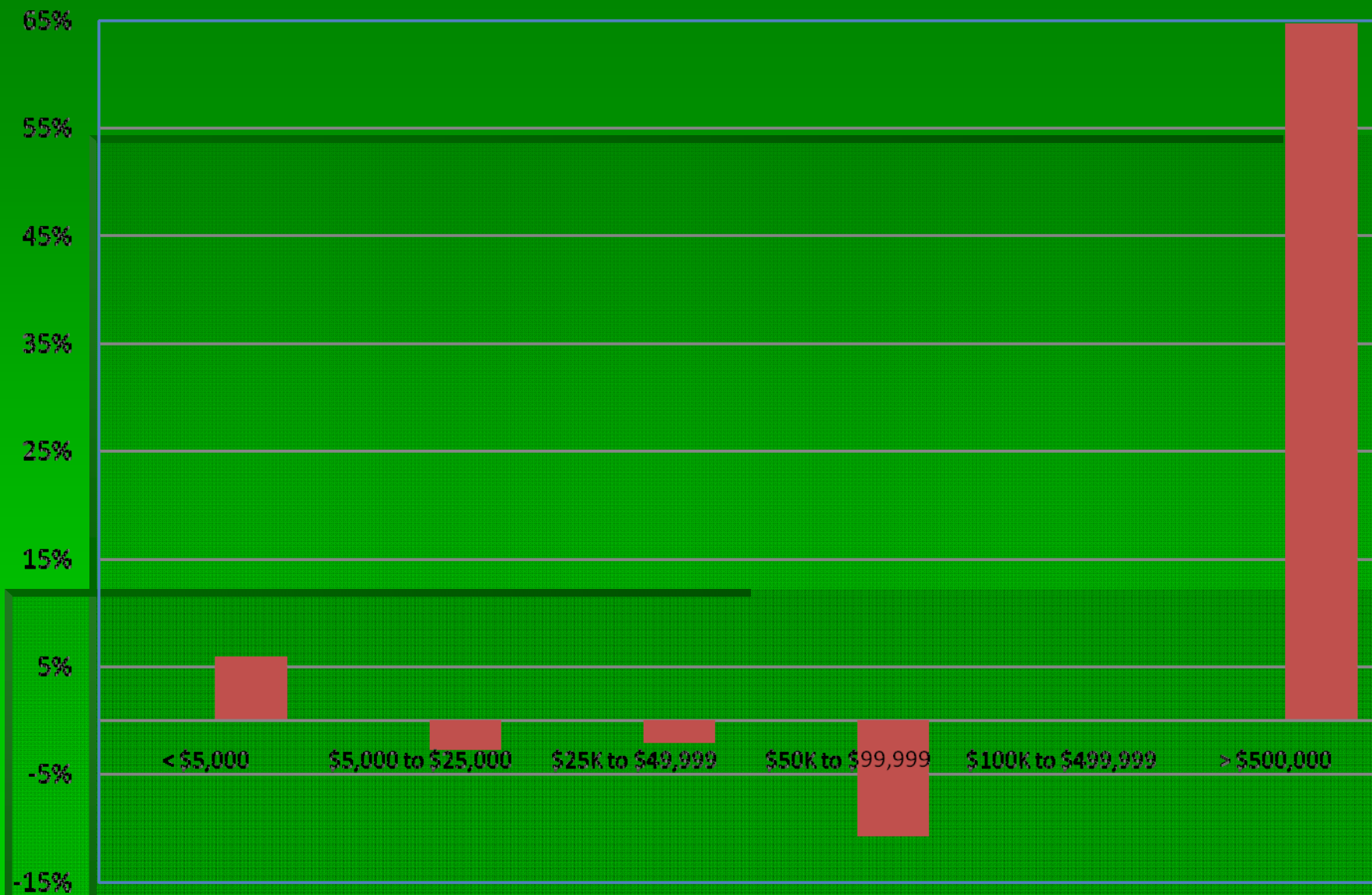
Percent of US Farms and Sales by Sales Category, 2007



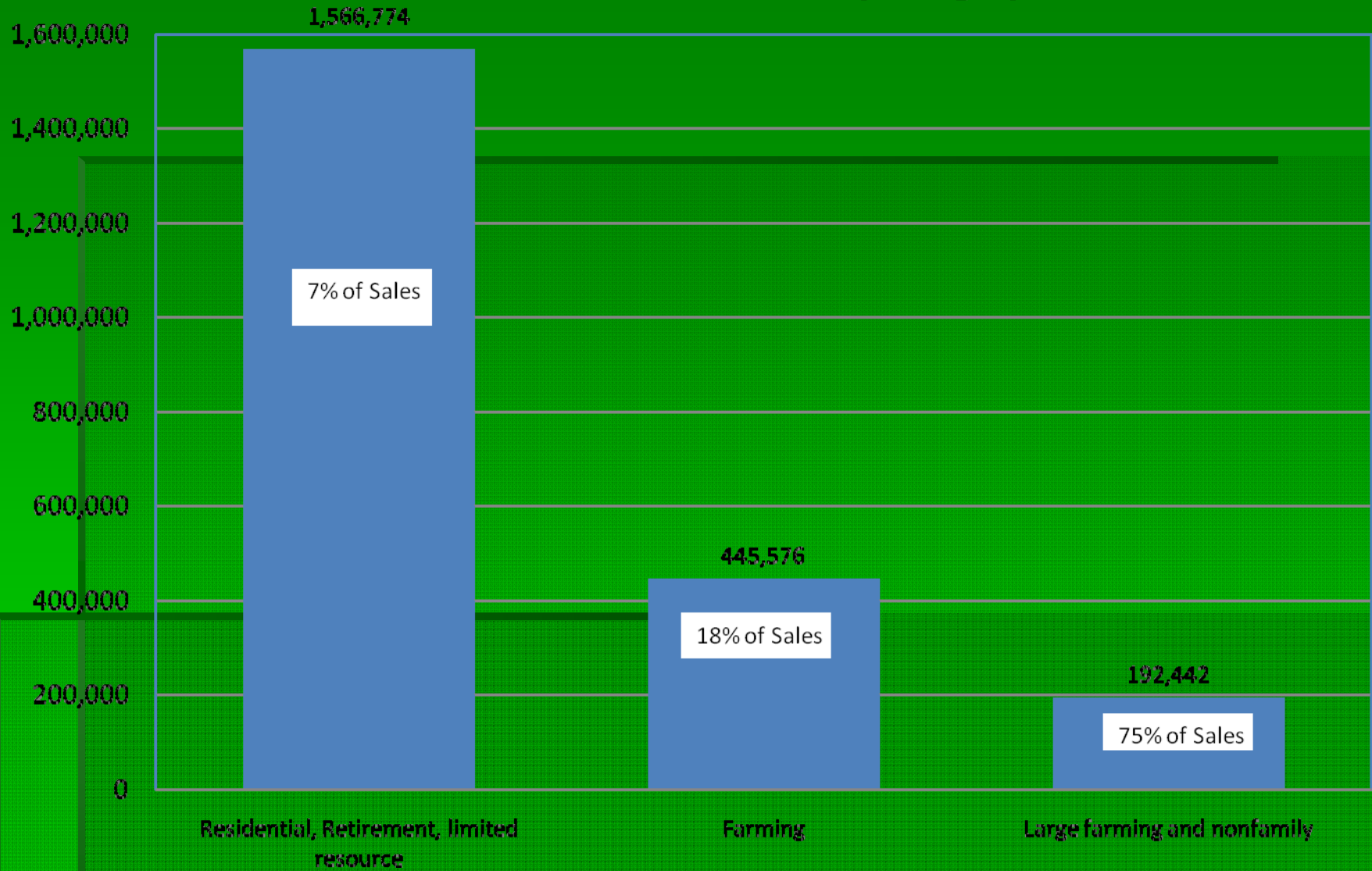
Percent Change in U.S. Farms by Sales Category, 1997 to 2007



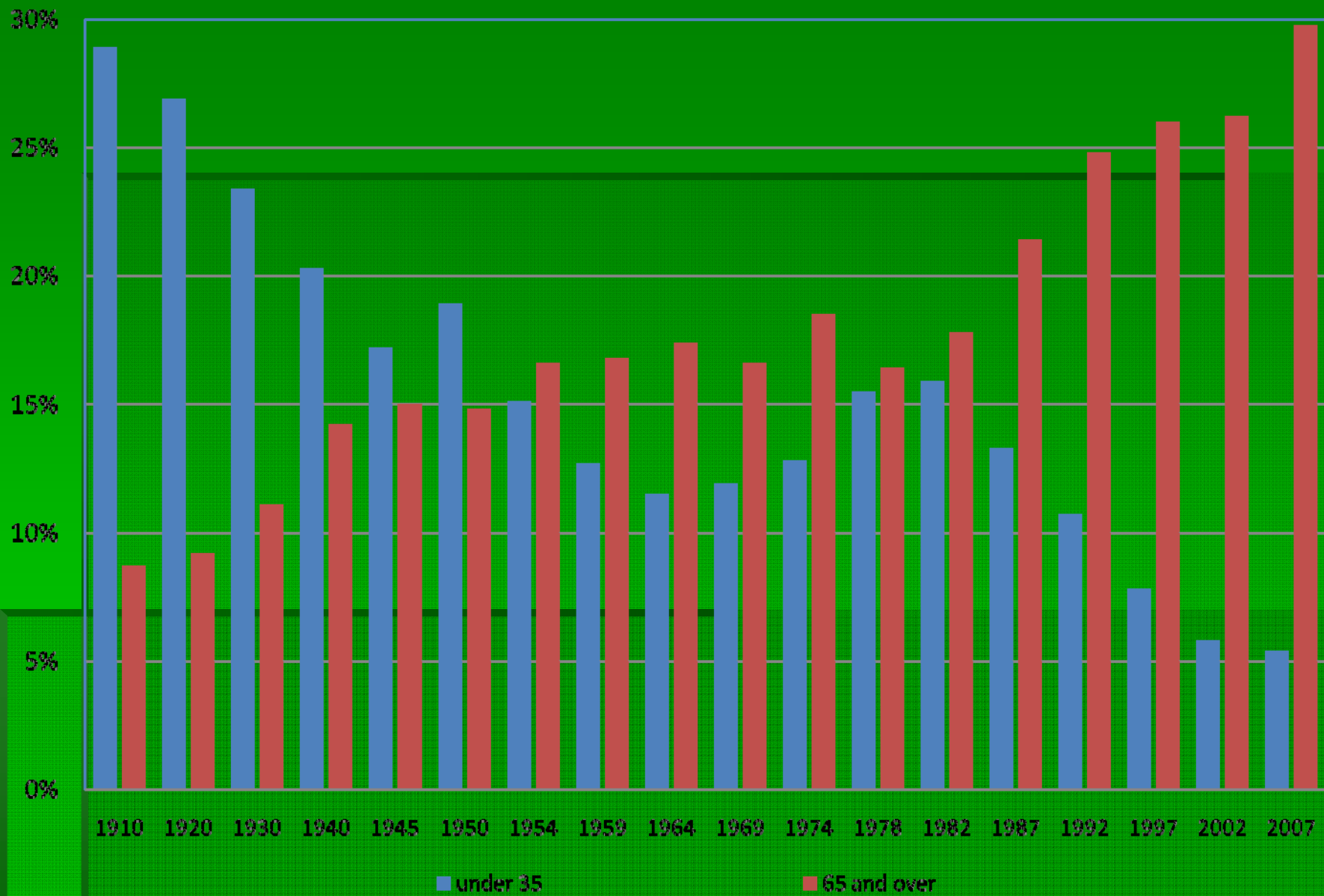
Percent Change in U.S. Farms by Sales Category, 2002 to 2007



Number of Farmers in the U.S. by Category



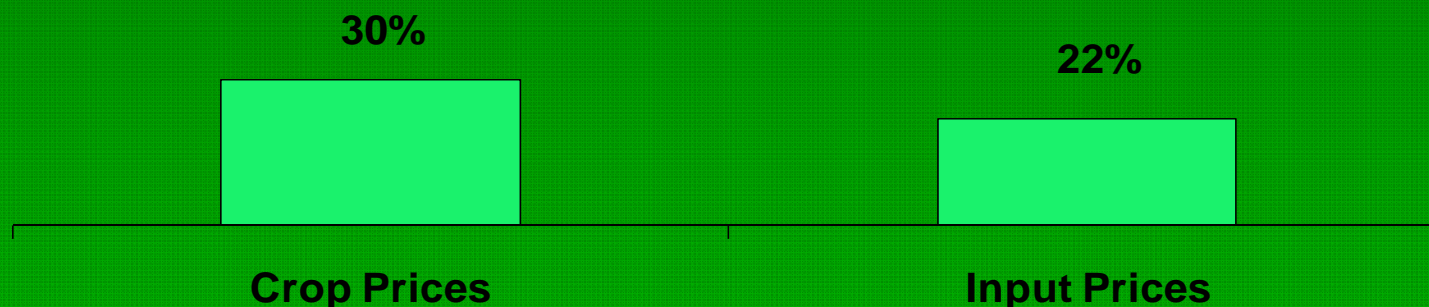
Percent of US Farmers Under 35 and over 65 Years of Age





Increasing Crop Prices are ...

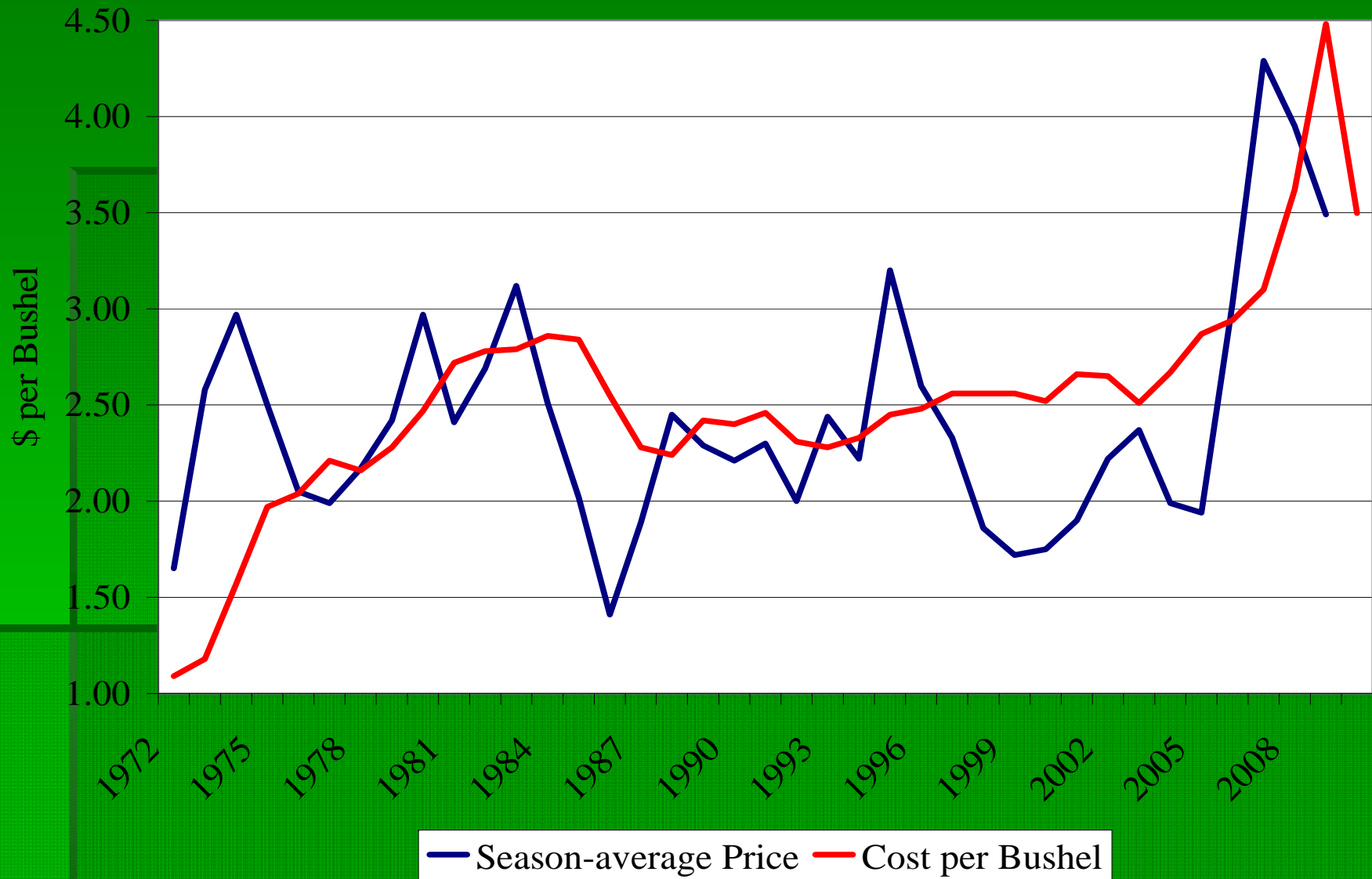
Comparison of Prices in July 2007 vs. Average 2001-05



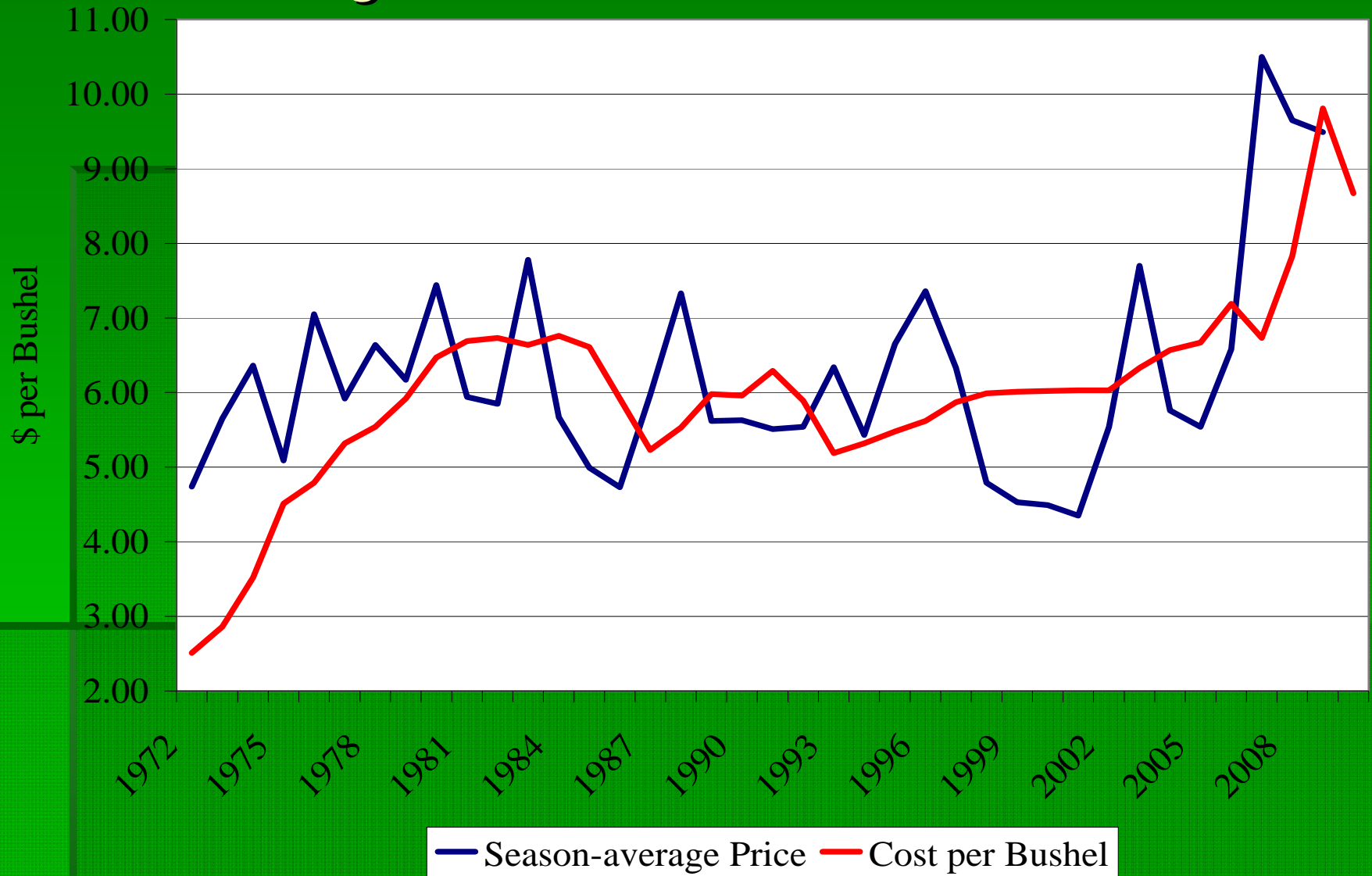
... being followed by increasing costs for crop production inputs (including interest, taxes, and wage rates)

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

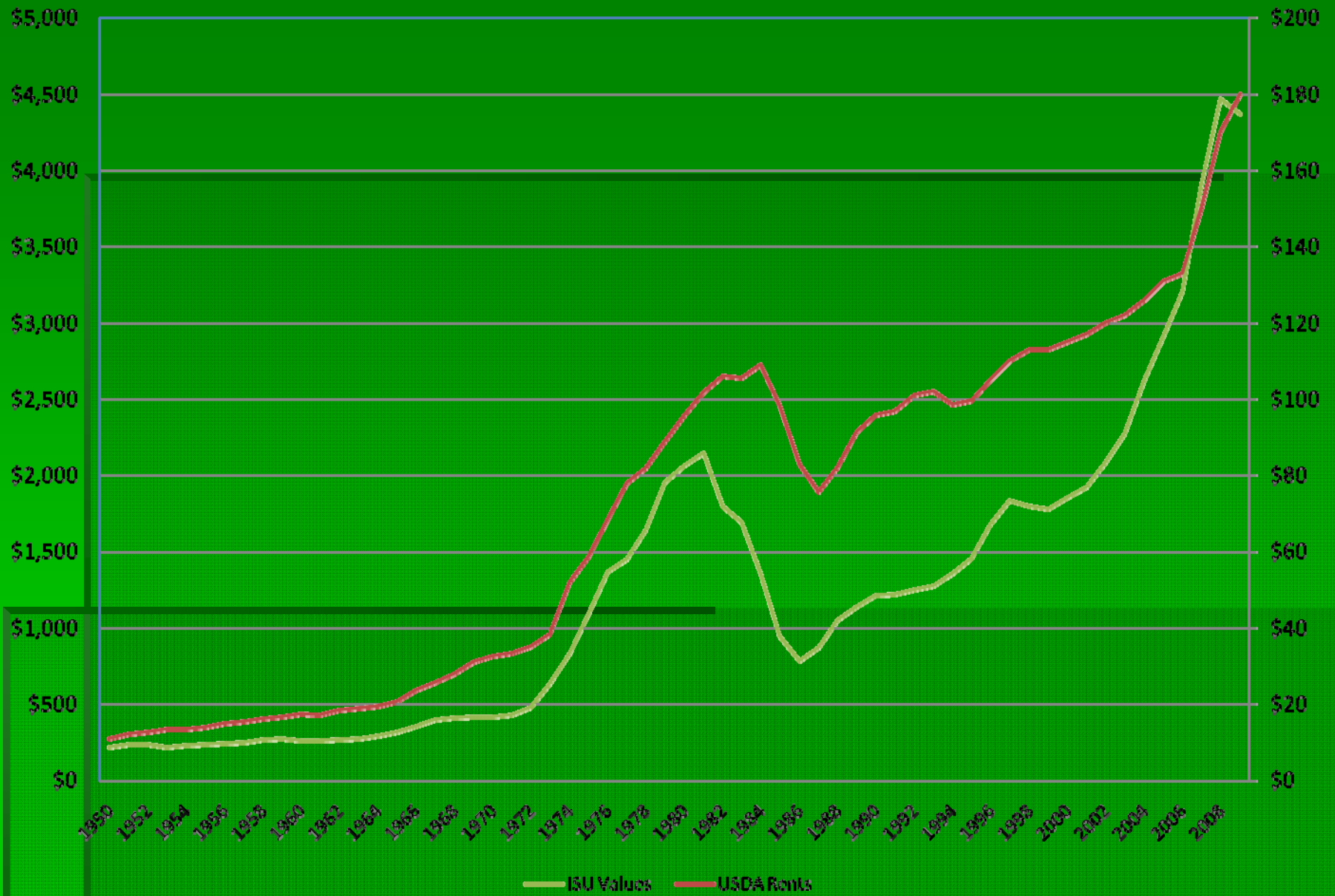
Iowa Corn Prices vs. Costs



Iowa Soybean Prices vs. Costs

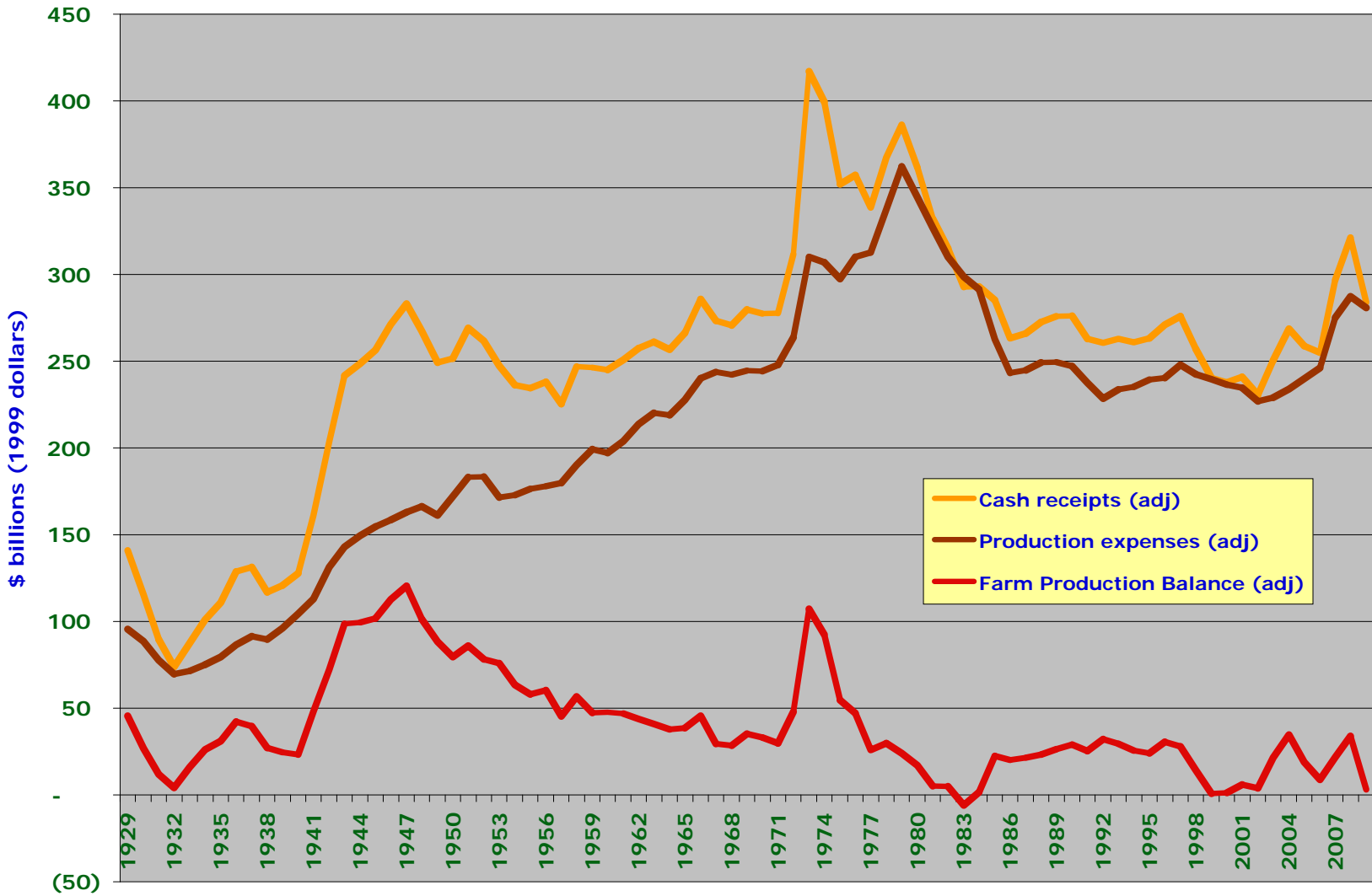


Iowa Land Rents and Values



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"

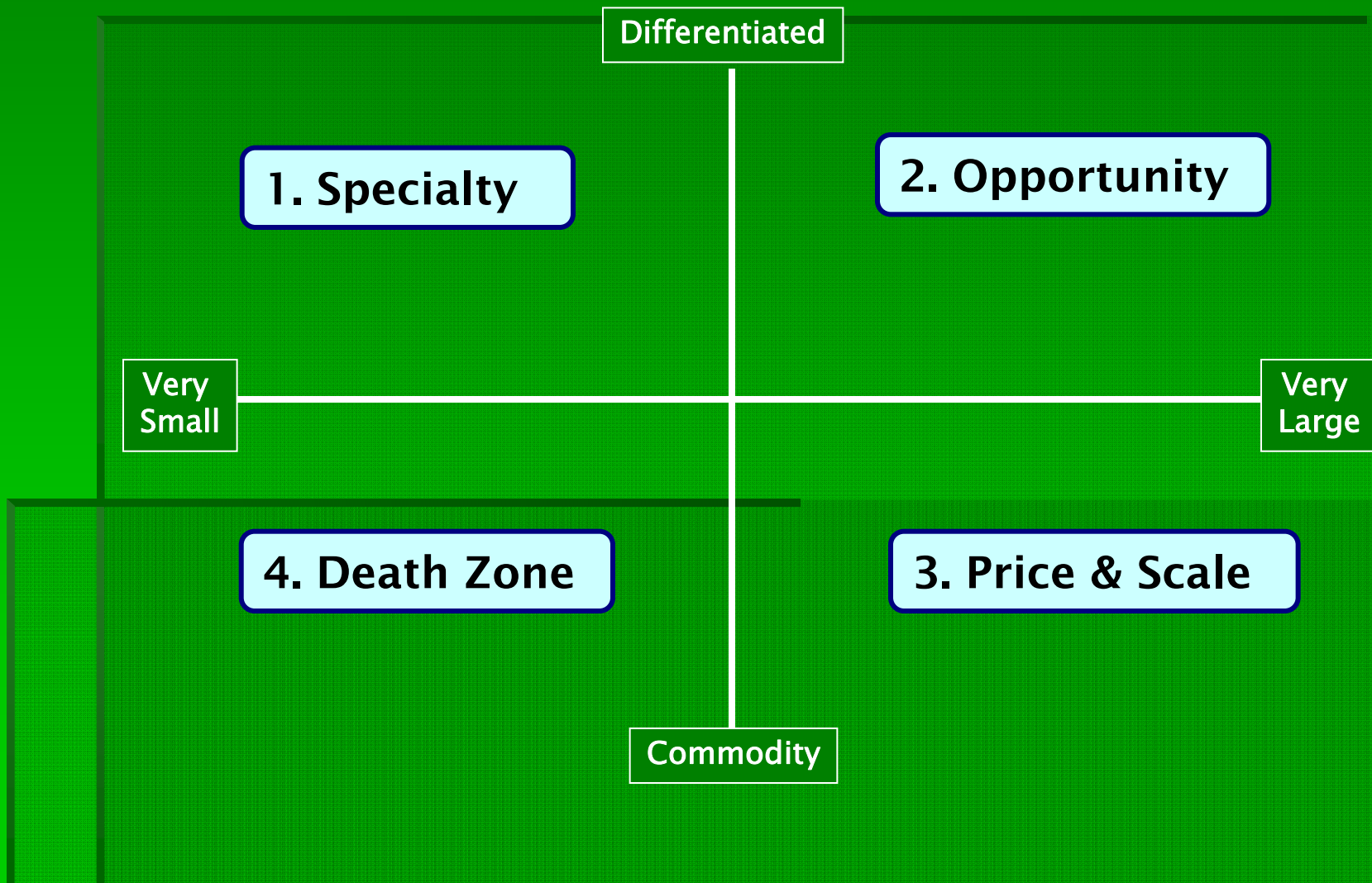
--*The Competitive Advantage of Nations*

The Emerging Alternative Market

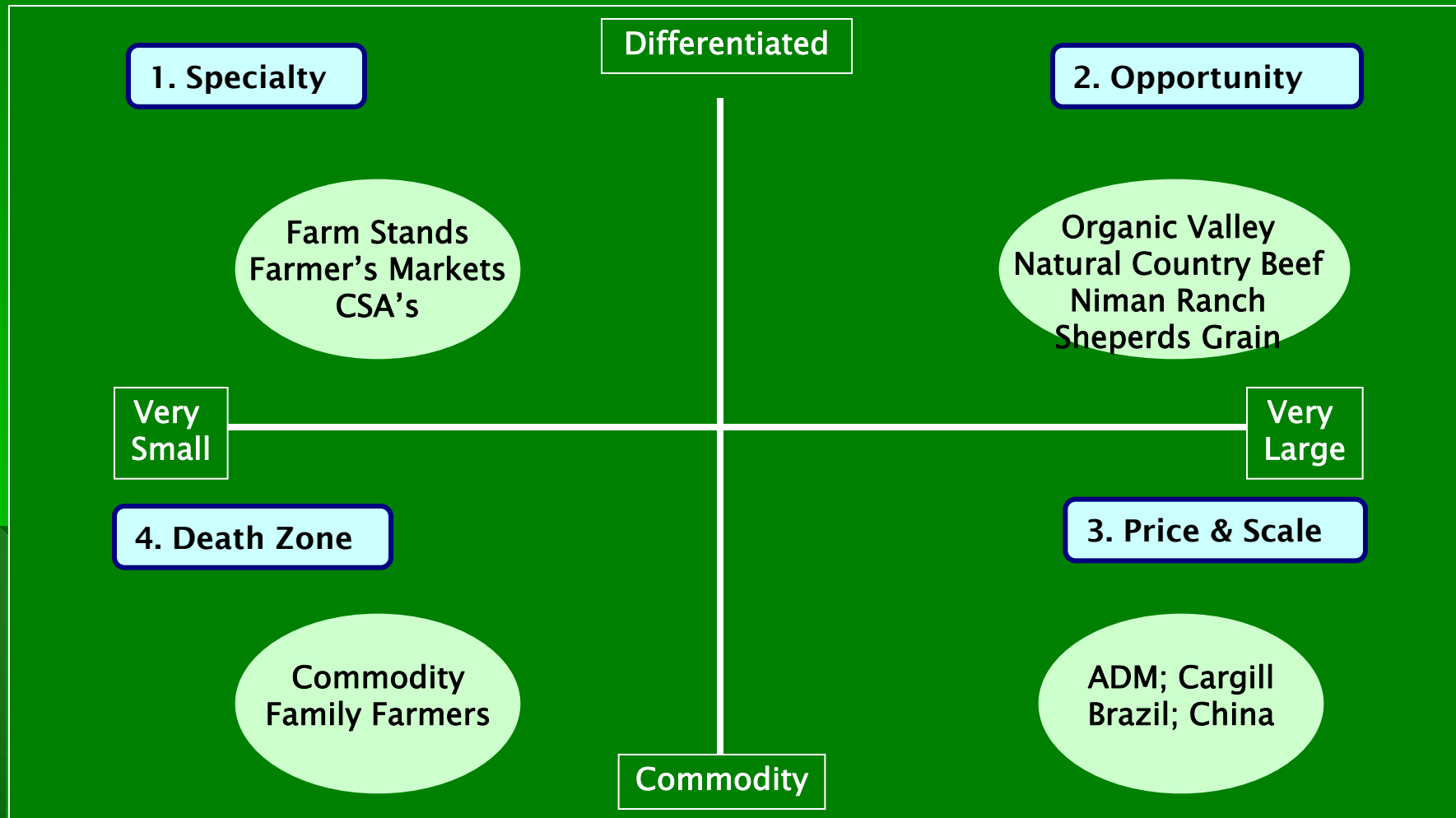
“Our company’s marketing strategy is based on memory, romance and trust.”

---Rick Schnieders, Former President and CEO, SYSCO Corporation
(Keynote, Practical Farmers of Iowa annual conference, January 25, 2003)

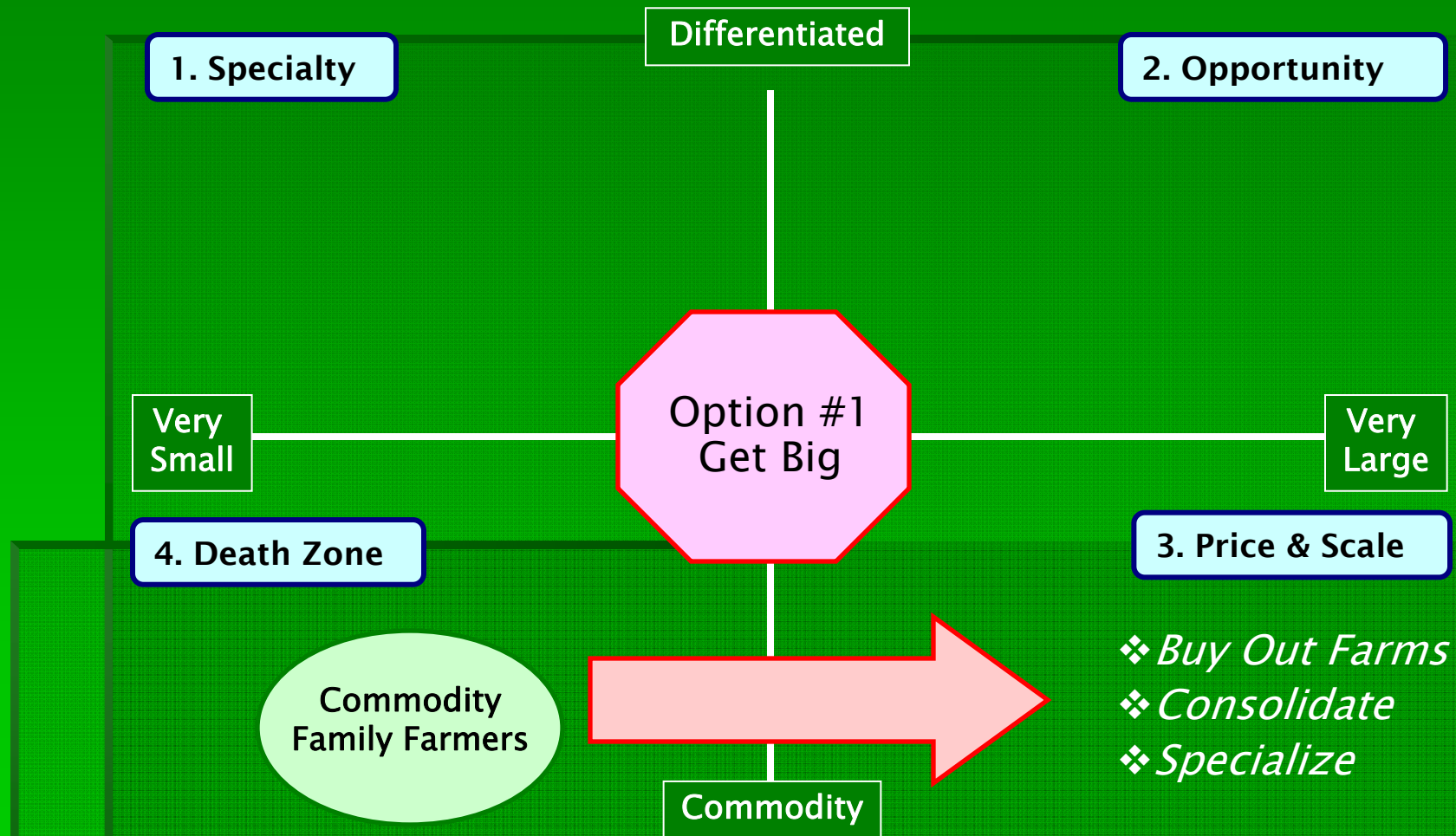
Agricultural Quadrants - Value & Scale



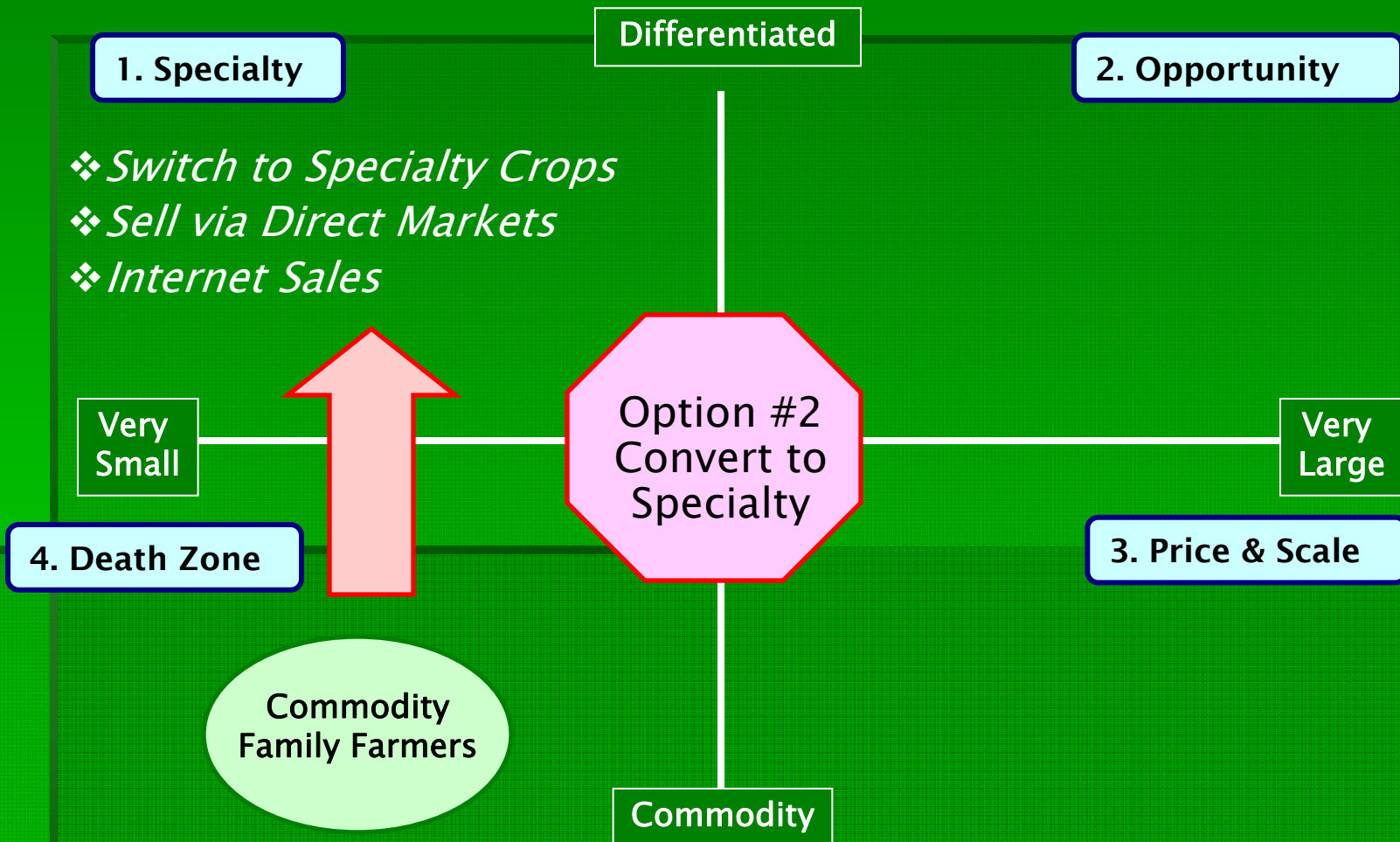
Examples of Participants



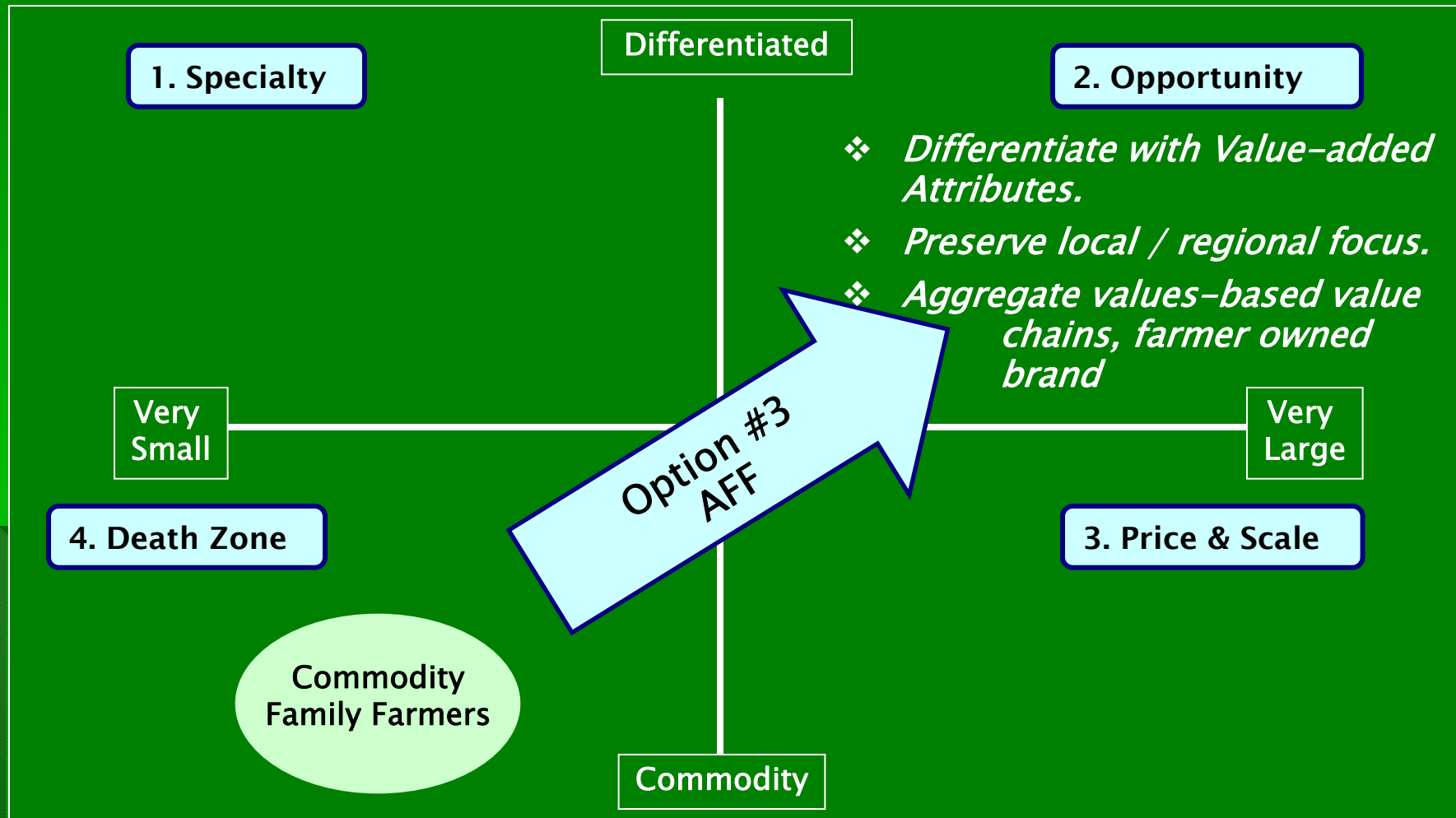
Option #1 – Get Big



Option #2 - Convert to Specialty

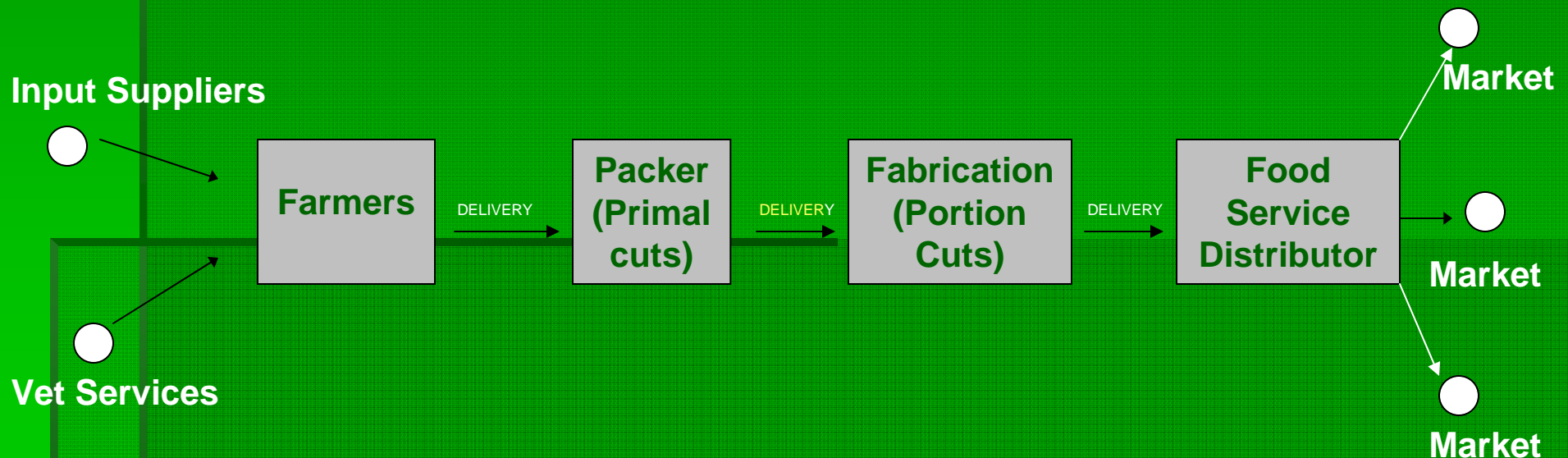


Option #3 - Create New Opportunity



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

- [<http://amfix.blogs.cnn.com/2009/11/25/success-in-sour-times-network-farming/comment-page-1/#comment-52712>](http://amfix.blogs.cnn.com/2009/11/25/success-in-sour-times-network-farming/comment-page-1/#comment-52712)<http://amfix.blogs.cnn.com/2009/11/25/success-in-sour-times-network-farming/comment-page-1/#comment-52712>

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)

Realism in Context

"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

- Thomas Lyson, G.W. Stevenson and Rick Welsh (eds.) 2008. *Food and the Mid-Level Farm: Renewing an Agriculture of the Middle*. MIT Press.

Questions?