

Good to great for Agriculture by 2020

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By Dick Hagen

Fifteen years from now 70 percent of North American farm ground will change hands. By 2025, local, natural and organics will be 20 percent of the consumer marketplace. Already 80 percent of Americans are two generations away from the farm and/or ranch. Water could replace oil as the limited resource in America, and the world!

Those comments by Dr. David Kohl, Professor Emeritus, Agricultural and Applied Economics, Virginia Tech. And those were just a few of his 'wake up' calls to nearly 300 people at Max's Grill, Olivia, on August 10. Hosted by Pro Ag of Renville County, Dr. Kohl also did a Wednesday morning workshop at the same location for 118 men and women on the topic of 'Positioning Yourself for the Future'.

Kohl has traveled the world telling the story about Agriculture, American agriculture in particular. Mostly he has exciting things to share, but also some serious challenges. Like his comment that the new land lords of American farm ground in 2025 will know little about the complexities of modern food production but view their 'newly inherited wealth' as a capital asset.

In a Q & A session with The Land, Kohl shared a variety of thoughts, and a few projections.

Q. Because of worldwide economic stress what's your read on the future of Agriculture?

R. I'm cautiously optimistic for agriculture, especially here in the Upper Midwest where favorable weather patterns and rich soils continue to provide the resources for your very aggressive farmers. Plus world population keeps exploding, nearly 7 billion now, 9 billion by 2050, or sooner.

Q. But who will be the major buyers?

R. I refer to what we call the BRIC nations, Brazil, Russian, India and China. China and India in particular continue to be demanding our soybeans, our corn, our wheat, oil, and often some major meat products as well. But as the U.S. economy back slides what is the impact in these nations? And more importantly what is the kickback to our own economy?

Q. So describe your feel for things today?

R. I'm cautious. I'm paying lots of attention to the economic weather fronts out there. I'm cautiously optimistic because the Upper Midwest is truly blessed with tremendous crop production, and the world is buying. But it would be wise to maintain a 70-90 day 'cash reserve' as insurance against a sudden challenge.

Q. Will China continue as a major buyer of U.S. agricultural goods?

R. Yes, simply because of its rapidly expanding 'middle class' that now wants to adopt the Western World style of better foods, more meats, more variety, and more consumer goods, some even made in America. But the rub with China is how quickly they can, and sometimes do change. For example we've threatened a sanction on Chinese tires to protect our U.S. tire manufacturers. But very suddenly China might not need our chickens and poultry meats. We constantly need to be aware that trade negotiations can break down very quickly and create what I call a 'black swan', an unusual event that very quickly turns a region or an industry upside down.

Q. Is U. S. Agriculture in a 'bubble phase' right now?

R. Yes, Upper Midwest agriculture could be in that bubble phase; meaning things could rapidly get better, or rapidly crash too. If the BRIC nations continue to do well, U.S. agriculture will continue its prosperity. But we're now seeing a real squeeze on farming margins, particularly with the average and below average producers. If the above average producers, especially family farms, find ways to keep those margins strong, they will be the long-term survivors. A lot of that prosperity is being capitalized into land, and that's why land values continue so robust.

Q. You said much of this 'new ownership' of American farm ground is California money. Explain please.

R. What's happening in the California Ag industry, which incidentally continues as the #1 agricultural revenue generator in America, is that they are being hit with about \$28 billion worth of new regulations, mostly of an environmental nature but often having to do with how they now must handle livestock, how they must grow their crops and how they must handle their field workers. So many are simply looking for other regions where they can farm. Minnesota is high on their radar screen because you have good soils, plentiful water, and with biotechnology kicking in, Minnesota farmers also now have strong yields.

Q. We already have \$6,000 land! What will keep driving land prices?

S. I call it the 3 Bears and Sasquatch. A 2-year decline in commodity values will get the Little Bear. More and more regulations and tax laws will get Mama Bear. High interest rates will get Papa Bear. Land values do not like higher interest rates. Sasquatch (whom I've never seen but I understand she hangs out in Minnesota) would be possible trade sanctions that just hit a particular region, or a particular commodity. For example if a lot of land got dumped on the market too rapidly, we'd be right back into that 1980 scenario when high interest rates and tight margins trashed thousands of farmers into bankruptcy.

Q. When we get to 9 billion people will technology and better genetics enable farmers to feed that many people as they feed 6+ billion today?

R. Absolutely. Yes, people are starving in this world today, but most often it's because of political abnormalities that simply are preventing the food from getting to these starving people. It's not about the ability to produce. It's about the ability to distribute as needed.

Q. You dropped a new term on us, Life-stylers. Who are they?

R. Today about 70 percent of U.S. agriculture is operated by what I call Life-stylers. We have about 2 million farms in America. About 1.4 million are Life-stylers meaning they own some 'country property' and do some gardening, raise some goats, have a few head of cattle, and maybe some special crops also. Most still have a 2nd job that enables them to be Life-style producer. Or many are now retired and country is their new life. That's a very powerful group for mainstream agriculture to recognize because it needs the political support of that group.

Q. Could you sense optimism in your Olivia audience?

R. Yes, this is a diversified agricultural area. Plus there were several cross-cultures in the audience. Not just farmers, but professional people, financial people, and Agri-marketing people. This group had a positive mind set. More of a 'can do' rather than a 'can't do' attitude. And we had a goodly number of young people (under age 35), which really sets the tone for a solid future for this area. I could sense that Minnesota 'entrepreneurial spirit' and that's what made this event such a joy.