

Observations after a year on the job

As I write this, I have now completed my first year as full-time director of the Leopold Center. A couple observations I had made as a farmer before coming here seem to be validating themselves.

First, the future looks increasingly bleak for midsize farmers who produce undifferentiated commodities for the global market. As the food and agriculture industry becomes intensively consolidated, only the very largest farms will have access to commodity markets. Consolidated firms want to do business with only the largest producers so they can reduce transaction costs and more readily control production systems to serve their business interests. But without access to free and open markets, small and midsize farms cannot survive, no matter how efficient they may be.

From a strictly “productionist” perspective, the loss of midsize farms is not a problem. It doesn’t make any difference whether commodities are produced by a large collection of small and midsize farms or a few mega-size farms. From this perspective, our national goals for agriculture are met as long as farmers continue to produce the food and fiber for our country’s domestic and export needs.

In terms of landscape ecology and social amenities, however, the loss of midsize farms could be devastating. More than 80 percent of Iowa’s farms fall into the small and midsize category. Most are still in the hands of farmers who grew up on those farms and whose families have owned the farms for several generations.

Most importantly, the local land wisdom – knowledge gained from years of caring for land on a particular farm – still exists in Iowa. Ecologist Ed Grumbine reminds us in his book, *Ghost Bears*, that land can be managed well only when people live in a local ecosystem “long enough and intimately enough” to learn about that ecosystem. Preservation of years of accumulated local land wisdom is perhaps the most compelling reason to protect Iowa’s small and midsize farms.

Once small and midsize farms have disappeared, Iowa also may be a less pleasant place to live. Who would

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want to live where mega-size farms with absentee landowners dominate the rural landscape? Agriculture would become just another large industrial complex, managed in accordance with the business interests of distant corporations and run with cheap, unskilled labor.

My second observation comes out of experience on my own family farm in North Dakota. Although small and midsize farms are severely threatened, the future holds unprecedented opportunity. Small and midsize farms can set themselves apart from the mass commodity market and capture sufficient value from the marketplace to thrive. After a year at the Leopold Center, I am more convinced than ever that this observation is true.

One example is the increasingly popular markets for farm products that have a story. These markets are no longer limited to the roadside stand where a farmer sells produce from the bed of a pickup truck. The farmer-owned Dakota Pasta Growers cooperative in North Dakota is now one of the largest pasta processing companies in the United States. Organic Valley, also farmer owned, is now doing \$100 million of business annually. Niman Ranch sells pork products to the most upscale restaurants in the country, and demand is outpacing supply.

According to some surveys, more than 20 percent of consumers now prefer food products that are not part of the mass market. They’re also willing to pay up to 20 percent more for products that meet the quality and production standards they want. Simply marketing products that are “locally grown” can now capture more value.

Small and midsize farms have a clear competitive advantage in these new markets. Their smaller size enables them to remain more flexible and innovative, empowering them to meet changing market demands more readily than large, mass production farming systems. And as Harvard economist Michael Porter reports, it is difficult (although not impossible) for a large mass-production firm to also produce

higher value, differentiated products.

Developing the infrastructure that can connect these sophisticated food customers to the small and midsize farms to produce the food products (and related environmental benefits) that customers want remains part of the challenge.

Meanwhile, large farms that mass-produce undifferentiated commodities for consolidated firms face three types of challenges. First is the challenge of determining how to obtain a fair share of the food dollar for producers. Producers in the broiler industry (the first production segment of the farm economy to move almost entirely to consolidated value chains) have found that collective bargaining is the only option open to them. The second challenge is to determine how to remain competitive with producers in other parts of the world who have dramatically lower land and labor costs. A third challenge will be learning how to mass-produce undifferentiated commodities in a manner that meets community environmental and social expectations.

As we enter the 21st century, the Leopold Center can best serve Iowa by developing community partnerships that can create an infrastructure of family-owned businesses to produce and market differentiated farm products for new and emerging markets. Thriving family-owned farms and businesses go a long way to build thriving rural communities that are socially and environmentally responsible.

I believe that with a very small investment, Iowa could reap enormous benefits from an agriculture-of-the-middle. Midsize farms, producing differentiated products processed in family-owned, and cooperatively-owned, processing facilities and sold in both local and international markets would enable farmers to capture more value, and retain much of that value on the farm and in local rural communities. All of Iowa would win. —

