

Observations on Farm and Agribusiness Trends

30th Annual Agribusiness Conference

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Observations of Emerging Trends and Dynamics of Agriculture



Where did we just come from and where are going in agriculture?

What are the keys to the game for producers to win and succeed in the future?

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There were a lot of farms in the early 1900s, but they were small in terms of size.

Today there are a lot fewer farms, but they are larger.

Agriculture is consolidating and becoming more concentrated. Approximately 107,000 (5%) commercial producers produce 75% of the output. It's projected to be less than 75,000 in the next 10-15 years. There is no region in the U.S. where this trend is more relevant than in the Midsouth.

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Bifurcation of Agriculture

- Midsize farms are being displaced
- Part-time farms, hobby farms, local food producers
- Commercial producer operations are becoming larger and more complex; numbers are declining

Ag Economics 101 – Commodity Business



“The function of a competitive market is to drive the economic return to the average producer to breakeven through supply and demand in both input and output markets.

In equilibrium, the top-end are profitable and growing, the average are hanging in there, and the bottom are losing money and exiting the industry.

Business success and survival depend on **continuous** improvement at a pace necessary to stay in the front half of the pack”

-- Professor Danny Klinefelter, Texas A&M University

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Key drivers for consolidation

- Need for economic scale and efficiency
- Technology and automation
- Farm policy
- Changing producer demographics
- Succession rate

Better vs. bigger.

Cost of entry into agriculture is going up, both financial and intellectual capital.

Family farm succession dynamics.

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Consumer centric vs. producer centric.

Declining rural population and infrastructure.

- Food, educational, and social deserts

The business model in agriculture has shifted.

- Intellectual centric vs. labor centric

The next generation will have a higher bar because of the large scale and complex operations.

- Stronger, deeper, and different skill sets

Commercial producers are CEOs and need to develop those skills, assemble a management team, an advisory board, and a peer group.

- Decisions drive profits or losses

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Key competencies, traits, and skills of a successful producer

- Strategic planning -*you become what you envision, plan for, and take action to*
- Leadership
- Discipline
- Communication/negotiation
- Tech savvy
- Financial, production, marketing
- Mindset - *view farming as a business first, lifestyle second, and continuous improvement*

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Profit sustainability is not just in the money you make, it's in the losses you prevent.

Risk management is paramount. A producer makes money by taking risk. The key is to identify, quantify, and manage the risk.

Don't Get Beat Deep!

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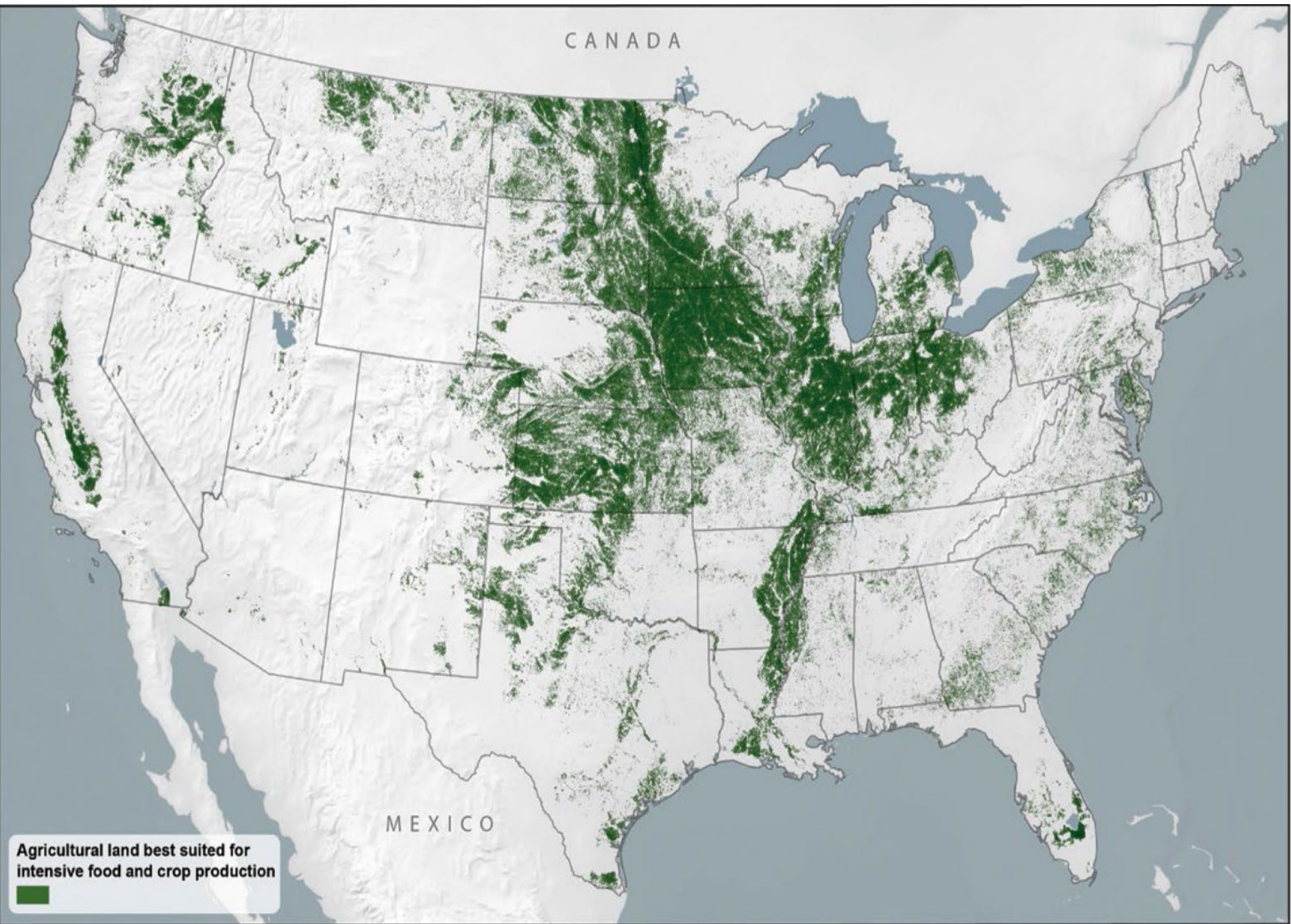
Long-term agriculture fundamentals are bullish. We are in the right location.

- World population growth is projected to be 9.3 billion by 2050 (*increased food demand by 60%*)
- Our region of the country in the Midsouth is well positioned to take advantage of this immense growth opportunity with leveraging its export business model.

CANADA

MEXICO

Agricultural land best suited for
intensive food and crop production





Thank you

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