

What's Happening in Wisconsin
Agriculture?

Why Should You Care?

What are Some Simple Things
You Can Do to Change It?

by

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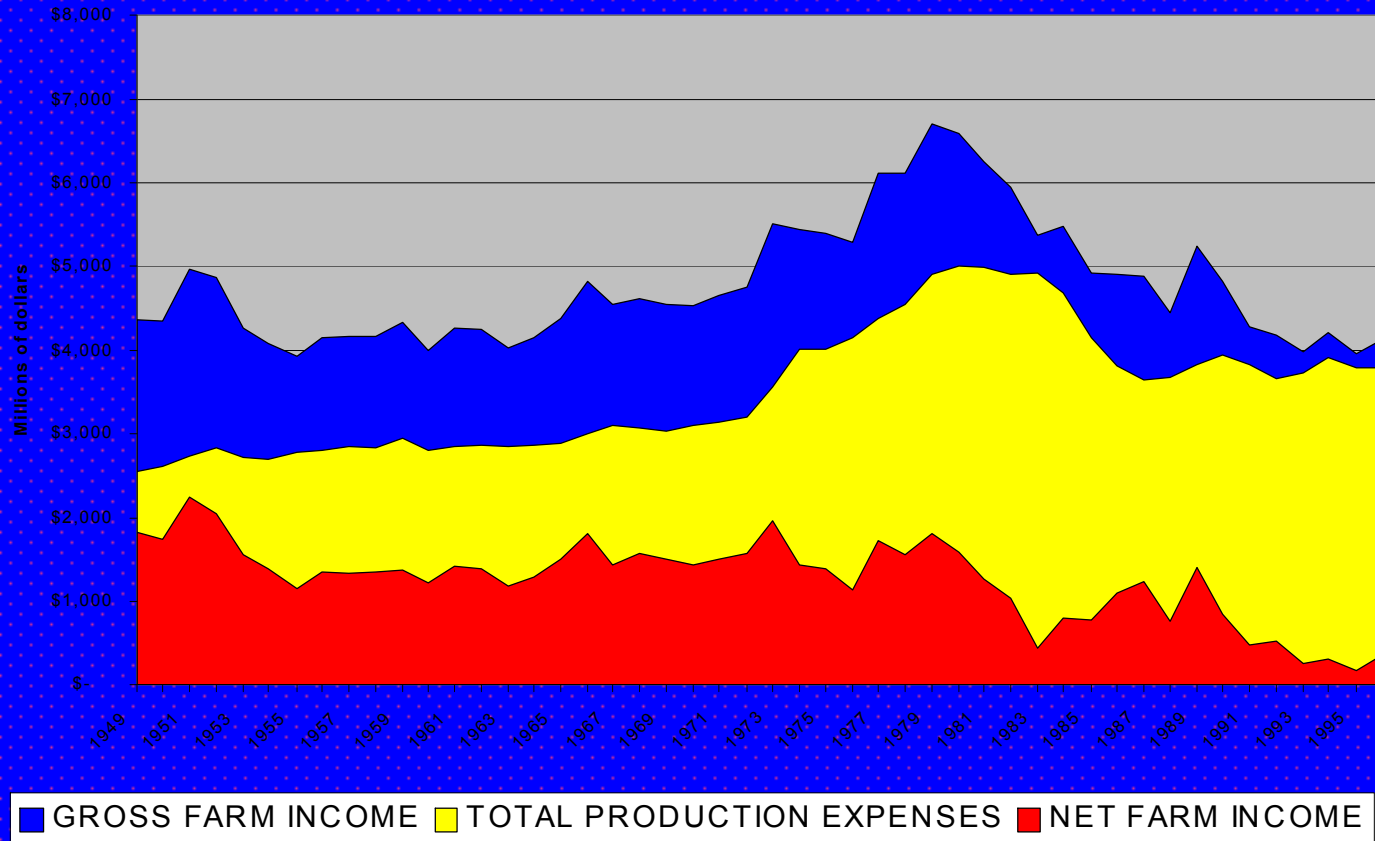
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What's Happening on the Farm?

- Low product prices, shrinking margins
- Fewer full-time farmers
 - Strong non-farm economy
 - Farmer apathy
- High land values
 - Farmers have equity but no cash
 - More land sold to non-farmers

Gross Receipts, Farm Production Expenses, and Net Farm Income in Wisconsin, 1949-1996

(Adjusted for inflation; 1982 \$)

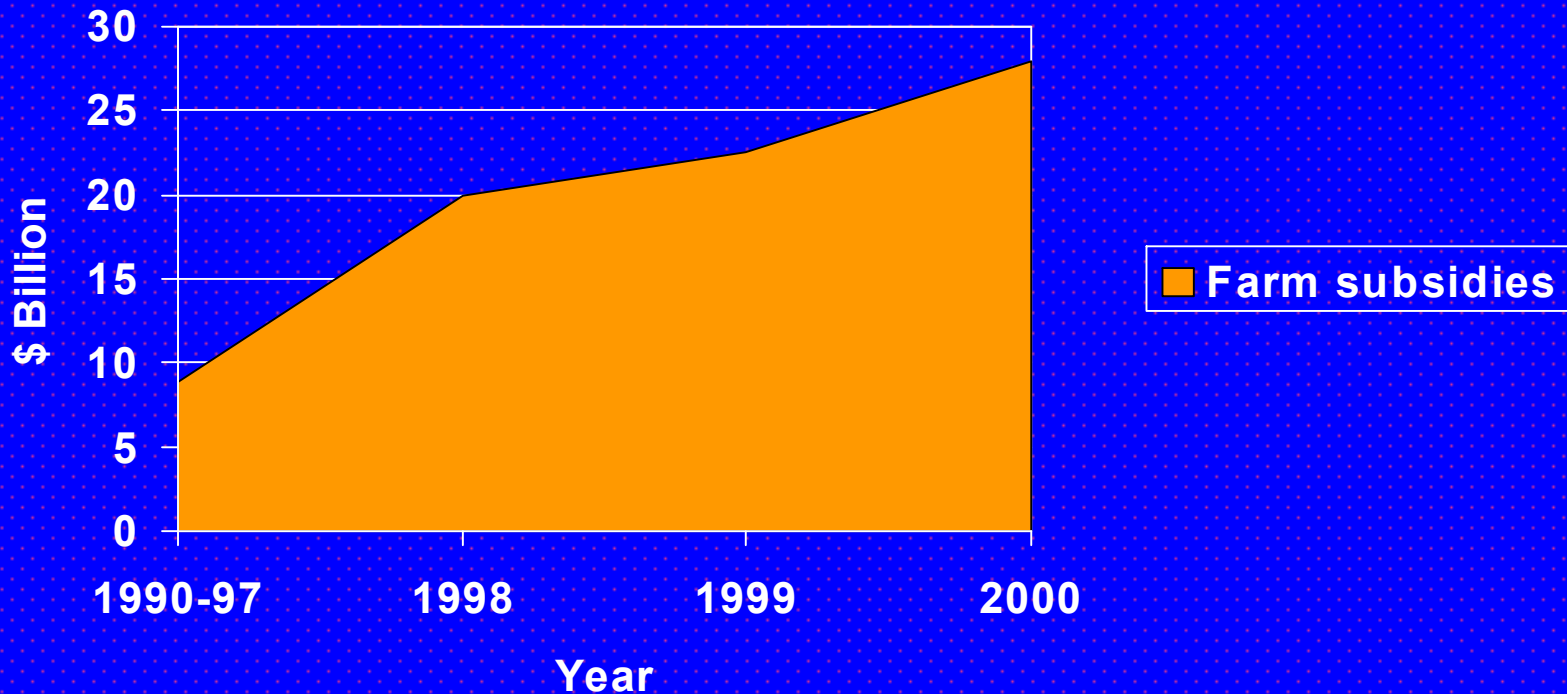


Source: UW-Madison Program on Agricultural Technology Studies

'96 Farm Bill Has Had an Effect

- Official Title: Agricultural Market Transition Act (nickname: Freedom to Farm)
 - Get federal government out of ag in 7 years
 - Give farmers a series of yearly payments to help them make the transition
 - Set “loan rates” for major commodities (essentially a floor price)
 - Set maximum payments of \$40,000 & \$75,000 per farmer

Federal Government Payments to Farmers



Source: Economic Research Service/USDA

Ag Industry Consolidation

According to University of Missouri Rural Sociologist Dr. Bill Heffernan:

When four firms control 40% or more of any given market, that market is no longer competitive.

Concentration in Ag Processing

Industry	% of Processing Controlled by 4 Largest Firms
Chicken Production & Processing	50
Beef Processing	81
Pork Processing	57
Flour Milling	62
Soybean Milling	83
Wet Corn Milling	74

Source: Concentration in Agribusiness by James M. MacDonald, Senior Economist,
Economic Research Service/USDA

Concentration in Seed Supply

Type of Seed	% of Sales Controlled by 4 Largest Firms
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Corn

69

(Pioneer, Monsanto, Novartis, Dow)

Soybeans

47

(Monsanto, Pioneer, Novartis, Dow)

Wheat

36

(Monsanto, Pioneer, Novartis, Dow)

One firm, Monsanto, controls 87% of the cotton seed sales in the U.S.

Source: MacDonald, ERS/USDA

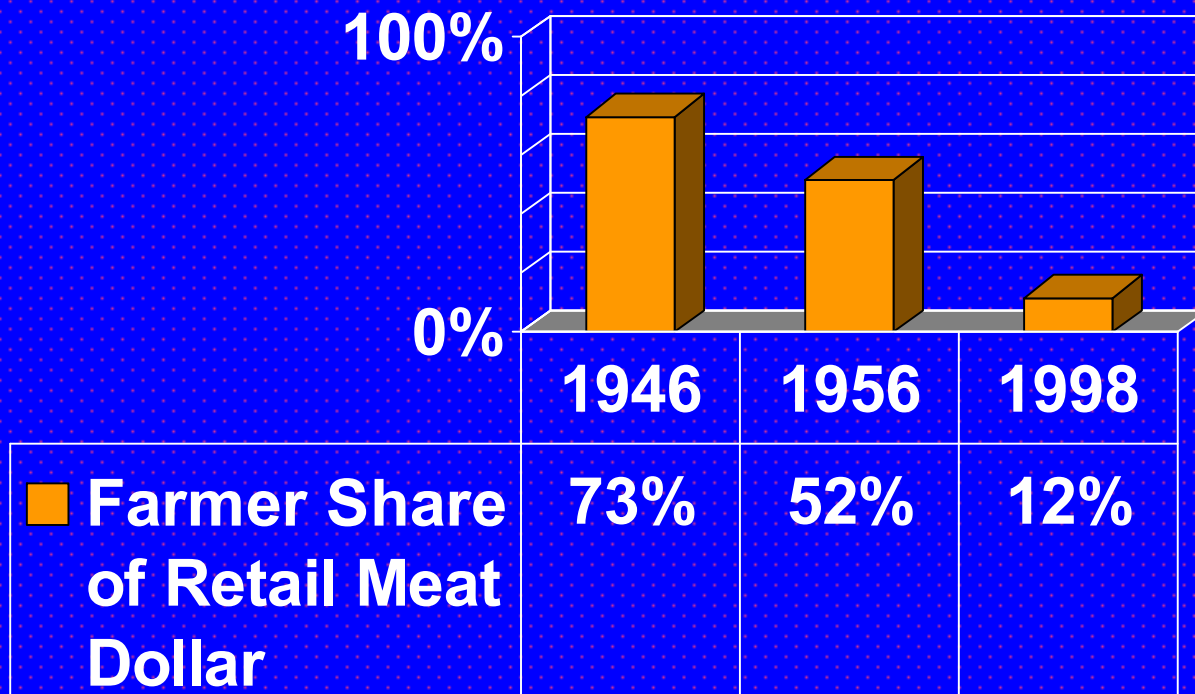
Farmers' Shrinking Share of the Consumer Food Dollar

Product	Retail Price	Farm Value	Farmers' Share
Pork & beans (can)	44¢	6¢	14%
Frozen french fries (1 lb.)	94¢	10¢	11%
Corn flakes	\$1.98	10¢	5%
Frozen, cut broccoli (1 lb.)	\$1.20	22¢	18%
Eggs (1 doz.)	\$1.06	60¢	57%

Source: ERS/USDA, 1998

Farmers' Shrinking Share of the Consumer Food Dollar

Retail Meat Products



Average of All Foods: 23%

All of this means...

- Prices paid to farmers have been extremely volatile but generally quite low
- Farmers are under tremendous stress
- We are losing the farms in the middle; the typical Wisconsin dairy farms
- Farmers do care about the environment but it isn't their top priority

Full-Time Farms Getting Bigger

- Economies of Scope vs. Economies of Scale
 - Smaller margins per unit, need to produce more units just to stay even
 - Possible diseconomies of scale
 - Higher cost to transport feed and manure
 - Costs associated with hired labor
 - Diminished level of family labor “cushion”

Full-Time Farms Getting Bigger

- RISKS!
 - Financial risks
 - More debt, more vulnerable to price swings
 - May need to enter into contracting arrangements
 - Equity in equipment and buildings erodes quickly
 - Environmental risks
 - Daily haul vs. million-gallon manure storage
 - Less “eyes per acre”
 - More corn silage, less pasture
 - More regulation to deal with risks

Full-Time Farms Getting Bigger

- Social Impacts
 - Farm wages are low, employees come & go; often no community integration
 - Farmers often have difficulty dealing with employees
 - Less farm purchases made locally
 - Less neighbor-to-neighbor interaction
 - Greater potential for conflict with non-farm neighbors

Why Should You Care?

- Most of the state's land area in is being farmed
- Farmland provides “conservation commodities”
 - water filtration
 - carbon sequestration
 - open space, rural landscape
- When farmers are financially stressed, environment tends to be neglected
 - land gets sold for development
 - no money to implement conservation practices

Why Should You Care?

Oh, yeah....almost forgot, FOOD!

But, There are Hopeful Signs!

- Growth in the number of small farms
- Growth in the amount of ag products sold from farm directly to consumers
 - Nationally, a 36% increase between '92 and '97
 - In Wisconsin, 57% increase
- Growth in organics
 - demand doubled from '89 to '94
 - \$6 billion retail sales in 1999





Northern Meadows

NATURAL CHEDDAR CHEESE

95 mg of CLA
(Conjugated Linoleic Acid)
per serving

See back panel for fat and
saturated fat information.

Made for:

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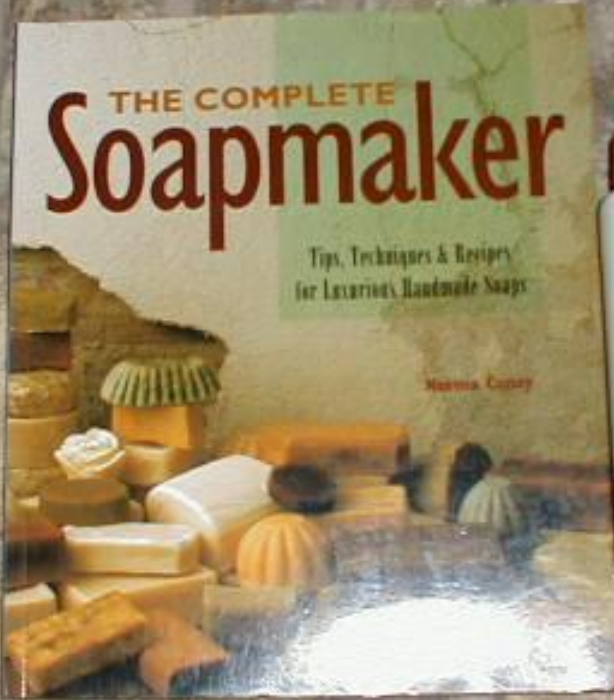
A superior tasting
seasonal cheese
from our Wisconsin
meadow-grazed
cows.

Ingredients: Cultured Milk,
Salt, Organic Rennet

NET. WT. 1 LB. (453g)







What You Can Do to Support the Change

- Change will be driven by consumers
- Buy locally produced foods and other products
- Look for Food Alliance, WI Pasturelands, and other “home grown” labels
- Buy organic?
 - if it’s local, family farm-raised
 - risk of organic becoming another commodity

Questions or Comments?