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A Futuristic View Of Agriculture

This article is based on a paper entitled “HEADS UP”, written by Scott Stewart, CEO of Stewart-Paterson Inc., a market scenario planning company. Scott describes market scenario planning as follows: “... has its roots in ancient Roman military strategy. Battlefield strategists tried to predict what the enemy army might do and then prepare their own plans in advance of the battle. They envisioned all the possible moves, so they were ready to act if and when a particular scenario played out. The result is better and faster decision-making, because strategy decisions are thought through in advance, not in the heat of the battle.”

My goal is to draw sufficient points from this paper to stimulate you to want to read the full text. I assure you, it is a worthwhile experience. Its relevance lies in the fact we are most likely going to face unprecedented volatility, even global upheaval that will impact our dairy farming significantly. Food and water needs are likely to cause migration not known in recent history. Politics and tensions will follow suit.

And What If He's Wrong? Stewart's advice is about *possible* scenarios, not predictions. Preparation of defensive strategies. “A forecast is not our destiny”. It does not have to happen, but we must prepare and respond in case it does.

For example: commodity prices. History shows conservative bull markets can drive prices up by 130 – 140%. In extreme bullish markets 300 – 400% have been recorded in recent times. Give thought to milk, wheat and fertilizer prices over the last five years. History also advises that 60% falls after a rally are common.

Drought and our “Just-in-Time” world. Nobody carries inventory, food or otherwise. Elwin Taylor, climate specialist from Iowa State claims droughts occur in fairly regular patterns; about every twenty years, and in recent history have increased in severity. Major drought in global food bowls could, based on above, blow milk price to \$1/lit. Sounds great until we consider grain and fertilizer at \$1000 and \$2000/tonne respectively based on the same potential increase.

Some things to think about – Unwanted Company. High farm profits will soon draw corporate or off-shore investment in food producing land, and this is already happening. Great for the aging farmer wishing to retire.

Consider the potential devastation of our rural communities. Fertilizer purchased in bulk from primary suppliers, trucked from Port Melbourne direct to the farm. Likewise other current local service industries will disappear as technology, inputs and management are sourced remotely. Imagine our local businesses that support many community activities – gone! Not to mention employment.

Predictions are, although due to labour at present, I believe in Australia, the USA model of very large scale dairies is not feasible on one point alone; animal husbandry. However, my opinion may not stop them trying. Having said that, farm numbers have halved every twelve to thirteen years over the last fifty years. If corporate Australia (or overseas entities) decides to shift their stockholders dollars to buying land there will be massive social change in our rural community's landscape.

Contrary to many current predictions on world population growth, Stewart believes a declining world population is possible through falling birth rates per couple. The consequences of which would be economic catastrophe. Economies are driven by housing construction.

What can our response be? Maximise profit to stay in business. There is significant money "left on the table" in today's Australian dairy farming. Productivity can, and must increase or rural Australia will change for ever. The good news: 50 to 100 million people are emerging from poverty annually. This creates demand for protein and drives farm gate prices.

In a Presidential speech in the late 90's, Jimmy Carter said America was built on agriculture, and must recommit to its growth and development to build America's future. Sound familiar?

What now? The constitution of the USA was designed largely by Abraham Lincoln, who himself rose from abandonment in childhood, with the goal of creating an environment where individual's rights to liberty and hence self driven prosperity would be unhindered. We have this same freedom in Australia, and Stewart's closing comments were, maintain belief in an individual liberty – take control!

Stewart's Summary:

- 1) Be prepared for any scenario – think in advance before the unthinkable happens.
- 2) Get out of debt – not reduce it – eliminate it!
- 3) Maximise opportunities. Volatile markets offer the greatest opportunities for profit – and the greatest risk!

"As the present now will later be past, the old order is rapidly fading. And the first one now will later be last for the times they are a-changin.'" Bob Dylan 1964

PS If you would like to read the full paper, email me and I'll send it by return email.
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