

POLICY PENNINGS

The Great Rush To Overcapacity, Again

BY DARYLL RAY
Ag Policy Analyst

Over the last six or more years of presentations to farm and ag policy groups, we have included several slides on the potential for a rapid increase in production, given the right set of circumstances.

One of the slides deals with how agribusiness is making the technology that was once the province of U.S. farmers available to farmers worldwide. This spread of technology has two effects. One, U.S. farmers no longer automatically enjoy a lower cost of production than their competitors because of higher productivity. Two, this increase in agricultural productivity worldwide can result in lower prices if consumption increases at a slower rate than production.

Other slides have examined the potential for increased acreage worldwide. These slides have identified acreage in the countries of the former Soviet Union, Brazil, and land in various African countries. While the ability to increase production in the U.S., the EU, Japan, India, and China depends almost totally on technology driven yield increases, there are a number of countries where increased production can come from a combination of yield and acreage.

We have suggested that all it would take is a trigger for the incremental increases we have been seeing to go into hyper-drive. Well, that trigger was pulled by the meteoric rise of rice, corn, wheat, and soybean prices in the last couple of years. And it turns out that we were pikers when it came to our estimates.

A recent article by Marcia Zachary Taylor, DTN Executive Editor, titled "Investors favor scale on Brazil's frontier," nearly blew us away with the size of some of the individual operations that are under cultivation or in the planning stages.

Her article began, "with 2.75 million acres under cultivation in five countries, Argentina-based farming company El Tejar is only one of dozens of corporations snapping up South American farmland in recent years. In Mato Grosso, Brazil, alone, the company's plantings have mushroomed to more than one million acres this season, up from a mere 22,000 acres in 2005-06, CEO Oscar Alvarado told a crowd of mutual fund and pension fund managers and other New York investors at the Global Ag Investing conference this month [May 2010]. Virtually all of those new acres produce soybeans and corn, sometimes double cropped in the same season."

While El Tejar leases agricultural land in other countries, it is investing in land in Brazil in order to gain from the increase in the land value as well as the value of production.

The other trigger driving this behavior is the expectation that by 2050, the increase in population will outrun the production possible on the land presently under production, even with promised yield increases.

All of this activity has not escaped the notice of agribusiness firms like Bunge, which "is gauging investor interest for the launch of an investment fund that would buy land in Brazil to take advantage of demand for sugar and sugar-based ethanol." According to Reuters, Bunge Chief Financial Officer Jacquelyn "Fouse said investor interest in farmland ownership appeared to be growing, and Bunge was aiming to draw more than \$100 million in investor dollars to its

land fund."

The Taylor article reported that Mark Moore, Bunge Agribusiness Group, indicated that "without touching the Amazon Rain Forest, Brazilians could also tap some 540 million acres of existing pasture or 222 million acres of unfarmed arable land should world food demand require it, Moore added, and still meet necessary conservation requirements." We were quoting estimates of 350 million acres in our presentations.

El Tejar and Bunge are not alone in their interest in Brazilian farmland. As reported by Taylor, Brookfield has 370,000 acres, and BrasilAgro reports 435,000 acres. The website of Agrifirma Brazil reports operating three farms totaling 104,000 acres with an additional 63,000 acres under option.

According to Taylor, World Bank agribusiness team leader John Lamb said that anecdotal reports of large-scale acquisitions perhaps total 125 million acres. "How much is that? Well, 125 million acres is approximately equal to half of the cropland in the U.S."

Looking at what is happening reinforces our belief that it is not in farmers' best interest to experience crop prices that are 100, 200, or 300 percent above their existing costs of production. It causes an inordinate amount of additional resources to be drawn into agriculture worldwide. Excess capacity results, and once the capacity is added, it is used year after year, and only very gradually does/can the productive capacity adjust downward (on its own).

Thus, contrary to conventional wisdom, excess capacity problems for crop agriculture are likely not over. In fact, excess capacity may well become more severe and be even more of a worldwide phenomenon than in decades past. (That does not mean that worldwide hunger will be eliminated—hunger is an issue of affordability, not commercial availability.)

Farmers need to understand that \$2 corn can indeed return. (Of course, it is possible that it might not because of circumstances that we cannot foresee.) For that reason, policy makers also need to take the low price possibility into serious consideration. For example, neither the traditional DCP programs (because of outdated levels for loan rates and target prices) nor, especially, the ACRE program (because once prices have declined to devastating levels, ACRE only guarantees farmers a fraction of those devastatingly low prices [revenues]).

That is why we keep talking about keeping prices within a reasonably wide band, having reserves to address the times like the 70s and 2008, and in general better matching supply to demand needs at prices that are within the band. The cost, degree of market disruption, and the hardship to livestock and crop farmers, here and around the world, could be cut dramatically compared to the payment-based policy of today. This policy set greatly distorts long-term price signals during low price times like the 1998-2001 period and high price times like the 70s and beginning in 2007 and therefore ensures future instability.

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YOUR VIEWS

A TIP FOR SMOOTHER TRANSITIONS OUT OF CRP

BY JOHN CRABTREE
Center for Rural Affairs

Millions of acres have and will come out of the Conservation Reserve Program (CRP) between 2008 and 2012, over 821,000 in South Dakota alone. That is why the Center for Rural Affairs fought so hard to establish the Transition Incentive Program (TIP) in the 2008 Farm Bill.

Under TIP, landowners who are retiring and whose CRP contract is ending can receive two years of additional CRP rental payments after the contract expires for land that is transferred to a beginning or socially disadvantaged farmer or rancher who will use sustainable or organic grazing, crop production or mixed cropping-grazing systems to bring the land into production. The land may be sold or under contract to be sold to the

beginning or minority farmer or rancher, or may be leased under a long-term lease agreement of at least 5 years.

This program is an attractive option for landowners who are looking for a way to help another generation of family farmers and ranchers get their start. Moreover, we will likely never see another opportunity like this — where so much land and so many CRP contracts expire in such a short period - to help these farmers and ranchers access the land they need to get started.

Landowners looking to help such a farmer or rancher should begin by contacting the Center for Rural Affairs' Farm Bill Helpline, which was established to assist farmers and ranchers in accessing USDA farm, conservation and related programs, at 402-687-2100 or tracib@cfra.org.

Friends Traded Las Vegas Culinary Glamour For Illinois Farm Life

Chefs Bring New Meaning To 'Farm To Fork'

BY KEVIN PANG
McClatchy News Service

DOWNSTOWN ILL. — We're standing by the chickens. There are white and brown hens, 70 in all, strutting along the lush green backyard and pecking for grubs. Not far away are two pregnant pigs named Mortadella and Pancetta. There's a greenhouse — broccoli, kohlrabi, arugula and lettuce as big as beach balls. City folks come here, look up and remember how far the blue sky can stretch.

Farm life in central Illinois is a placid existence, as far removed from Las Vegas as one can get. Vegas was where Ken Myszka worked 18 months ago. He was a big-city chef cooking under four-star chefs Thomas Keller and Guy Savoy. Last year, he left job security, packed everything he owned into a flatbed truck and drove east.

Now we're here, standing by the chickens.

"So you want to open the best restaurant in town?" I asked.

"No," Myszka said. "The world."

Try holding a conversation with Ken Myszka without sensing some hubris. But he delivers it with such doe-eyed optimism, a 26-year-old with a world-is-his-oyster grin, you can't help but drink his Kool-Aid.

Myszka, his wife and two colleagues believe they can reinvent the restaurant model, in an industry where half go out of business within 18 months.

They want to open a restaurant on the level of Alinea, in a town more famous for Steak 'n Shake, and they want everything on the plate to be raised and grown themselves.

To do that, they traded in their chef's whites for shovels, urban life for the agrarian life. Myszka needed to move back home. Together, they have little farming experience, yet that's what they've become, farmers in the town of Downs, population 760.

What makes them think they can pull it off?

Myszka was a C and D student. Then he enrolled in his high school's culinary arts program and learned about the Culinary Institute of America in New York, the Harvard of cooking schools. He finished his senior year with straight A's.

Myszka (pronounced Mish-kah) graduated from the institute and entered the hospitality management program at the University of Nevada at Las Vegas. He cooked at Bouchon for Thomas Keller, arguably the most celebrated chef in America, and worked his way through the posh Vegas restaurant scene. He eventually landed at Guy Savoy, a pillar of modern French gastronomy, where entrees averaged \$80 a plate.

It was during a monotonous prep job in the kitchen that Myszka found himself staring at carrots he was slicing. He wondered, "Who harvested these? How do we know no pesticides were used?"

Then came the thought that launched a thousand ideas: "Why can't the person who bags the carrots at the farm be the same guy who opens the bag in the kitchen?"

His question fell in line with the then-burgeoning movement known as "local food." It's the idea that consumers — for reasons economical, nutritional and ethical — should eat food raised in their communities, rather than trucked from thousands of miles away. In the dining industry, one-third of a restaurant's revenue goes to food costs, which in turn reflect the costs of shipping and fuel.

Myszka figured it was time to try a new approach — to do everything himself. He would grow the vegetables. Till the land. Raise the cows. Collect the eggs. Bring ingredients from farm to restaurant. Cook the food. Serve to customers.

Myszka called his mother at 2 a.m. to explain his epiphany. He'd call it Epiphany Farms, and he would build it from the dirt up on the property he grew up on in Downs.

"It was like he was on cloud nine, jumping up and down," said his mom, Kim.

Now he needed to persuade others to join him.

Mike Mustard had the reputation of having a thoroughbred's stamina. He cooked at Alain Ducasse's Mix until midnight, then drive an hour outside Vegas to volunteer at a university research farm. He slept in his car for the better part of a year.

Myszka met with Mustard over many months, selling him on the Epiphany concept. Burned out by Vegas, Mustard said yes.

Myszka's second convert was Stu

Hummel. He was working for French chef Joel Robuchon, who lays claim to more Michelin stars than any chef in the world. Myszka brought Hummel to Downs to envision what Epiphany Farms could be. The drive from Downs back to Chicago was a two-hour sales pitch, an ultimately successful one.

"A chef's job is a cycle of creative highs," explained the 24-year-old Mustard. "Then the life is sucked out of you after a year, and you move jobs and it starts again."

To convince his girlfriend, Nanam Yoon, Myszka had to pull off his greatest sell yet. One problem: Yoon had accepted a position after graduation at Samsung. The job was in Korea.

Myszka traveled to Seoul to make his appeal. But first, he asked Yoon to marry him. She said yes. His return ticket to

neighborhood of Bloomington. The table was bedecked with fine china, polished silverware and name cards for each guest. Myszka, Mustard and Hummel wore their chef's aprons and began their performance.

Myszka did what he does best: sell. He spoke of the symbiotic relationships between his foods. "What grows together, goes together," he said. This was illustrated by the opening course, a scrambled egg with cauliflower puree, roasted mushrooms and onions, using the sawed-off egg shell as a serving bowl. The shell nestled in a bed of ground corn, oats and soybeans — chicken feed.

The courses progressed to a braised beef cheek cannelloni, a spring roll of pork loin with Vietnamese mint, Thai and lemon basil, then a Korean "mandoo" pork belly dumpling. The beef consommé was ethereal. The highlight was a pressed chocolate peanut bar with malted barley ice cream and condensed milk caramel.

This was mature, thoughtful food, executed with precision. The saucing was minimal, which showed a confidence in their ingredients, which of course, they were directly responsible for.

Naysayers exist. Some are turned off by these city kids coming into their country, telling them their way of farming is antiquated and wrong.

None of these critics would speak on the record. A farmer who once worked with Myszka backed out of an interview at the last minute, but said Myszka came across as a cocky know-it-all who doesn't have the first clue about farming.

When Myszka's parents described their oldest son, they used the words "passionate," "enthusiastic," "gullible" and "a bit stubborn."

Myszka didn't have the grades to enter the Culinary Institute of America, but talked himself into an on-campus interview. His mother accompanied and watched, from across the room, as Myszka spoke to the admissions officer, leaning forward, gesturing with his arms, a controlled flail. Myszka was accepted on the spot.

"My dad always said I could sell snow to an Eskimo," Myszka said.

But Myszka's farming philosophy goes up against 70 years of modern agriculture: crops aided by chemicals and animals treated with hormones and antibiotics. Indoor factory farming has become the norm.

Said Salatin, whose farming philosophy is Myszka's chief influence: "If what Epiphany Farms is suggesting and doing and demonstrating becomes normal, it will completely invert the entire power-profit-prestige structure of the food system in the developed world."

The closest model to Epiphany Farms is the Stone Barns Center for Food and Agriculture in

Westchester, N.Y., a nonprofit center that educates on farming sustainability. The center is attached to a restaurant, Blue Hill, whose co-owner Dan Barber won the 2009 James Beard Award for Outstanding Chef.

"Elitist, expensive, impractical — these kind of accusations come with the territory," Barber said. "On the other hand, these chefs have built a platform to show the relationship between sustainability, pleasure and good food. When people come and actually experience that, it's transformative."

The big question is whether Bloomington, in this economy, can support a high-end restaurant. That's the great unknown.

Living on the farm, the tempo slows. Days go by with chores that seem mundane, but for chefs used to working in unventilated kitchens, this boots-in-the-mud life is a welcome change.

Everything is elbow grease; they don't even own a tractor. Mustard plugs lettuce seeds one by one into hundreds of plastic trays. Myszka runs his hands through a tray of soil, soft and fluffy, admiring it. Hummel walks by and inhales loudly.

"It smells like life down here," he said. A short while later, Hummel is navigating the woods behind the farm when a steady rain begins to fall.

Las Vegas was sensory overload central. Here, Hummel comes out to contemplate, and listen, and smell, and look around.

The first time a seed he planted sprouted from the soil (it was a radish), it brought an elation he couldn't explain, he said.

"I didn't understand until I put the seeds in the ground, covered them with soil and watered them; I didn't feel that connection," said the 27-year-old Hummel. "It was complete satisfaction and gratification."



Pollan's book, whose Polyface Farm in Virginia is the standard-bearer for environmentally responsible farming. He bought books by Bill Mollison and David Holmgren, the modern agricultural thinkers who preached the idea of permaculture, where farms mimic the ecology of nature.

Using his savings and a loan from his dad, Myszka made his first purchases: \$300 in seeds, materials for a greenhouse, eight cows, eight pigs and 100 hens.

If the 77-acre Epiphany Farms can do as they say, food costs would be converted to farm and labor costs, with Mother Nature doing the heavy lifting. Fruits regenerate seeds, bees produce honey, morels sprout from the woods. The only cost for eggs is chicken feed for the hens.

The model is based on a three-year plan. Year One was research and building the farm. Right now, they're in Year Two, farming and setting up the operations. By next spring, Year Three, they will open their yet-to-be-named restaurant, in a space already leased in downtown Bloomington. The restaurant will only be open for dinner Thursday through Saturday and brunch on Sunday, the day's menu determined by the morning harvest. The rest of the week will be spent on the farm.

One source of income, they hope, is selling their produce, meats and prepared foods at local farmers markets. Cooking classes are in the business plan. And if everything works, they would like to franchise the Epiphany Farms concept across the country, then the globe.

Until then, they are getting by on help from Myszka's dad and money from selling produce and cooking at private dinner parties on weekends.

The dinner party was held at the home of a State Farm executive in an upscale

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