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Bust could be boom for farmers

Conference offers ideas on weathering fiscal storm

By Stacey Shackford
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ITHACA, Tompkins County - Despite a proliferation of plummeting line charts and frightening forecasts for the U.S. economy in general, farmers were fed some morsels of hope this week during an agribusiness conference at Cornell University.

A dismal economy means more of us are fixing meals at home and brown-bagging our lunches, which could be good news for grocers. Chicken consumption is increasing as we economize, and we are still willing to splurge on cheese and yogurt.

Wine consumption also continues to rise, despite - or perhaps because of - the mounting recession, said Cornell professor Miguel Gomez, and in some cases vineyards might also benefit from increased local tourism, as families shun expensive far-flung getaways.

About 180 farmers, business owners, researchers and policymakers gathered at Emerson Hall to hear experts discuss the current and future financial prospects for business, agriculture and agricultural products.

Advice to Obama: Spend

Steven Kyle, professor in the Applied Economics and Management Department at Cornell, opened the Agribusiness Economic Outlook Conference with graph after graph of economic indicators that resembled precipitous cliffs, with industrial production, retail sales, personal income and consumer confidence already suffering near fatal nosedives.

It is up to President-elect Barack Obama to shake up fiscal policy - by "spending money like a drunken Latin American dictator," Kyle said.

He argued Obama should spend as much as 10 percent of the GDP, or about \$1.3 trillion, on infrastructure projects that could start immediately. Military spending in World War II was what got us out of the Great Depression, and similar massive amounts of spending, in any sector, must be undertaken now, even if it means getting into debt, he said. And with the interest rates so low, the federal government will at least be able to borrow cheaply.

"We want a stimulus shock and awe," he added. "We want people in this country to be jolted out of their pessimism."

"If things go very well - a good stimulus package, spent quickly, and nothing else bad happens - then 2009 is going to be a bad year and we won't see any growth at all. That's the optimistic picture. If things go badly, it could be truly awful."

But other speakers suggested it was not all doom and gloom.

Sam Simon was on hand to provide proof weathering the economic storm could be done.

The former orthopedist retired and bought a milking dairy in the Hudson Valley. After five years facing declining prices and increasing production costs, he got fed up and decided to take action.

"It was costing \$18 per 100 pounds to produce the milk, and we were getting \$14 for it. I thought it was time for farmers to stand up for themselves.

"We've been raised to think milk is a commodity. But all milk is not created equal. We had a value-added product, but we were getting only \$0.03 extra per pound. That's an insult."

So he formed Hudson Valley Fresh, a nonprofit dairy co-operative. He started with a handful of local farms who all adhered to high-quality standards. They contracted with a local production plant that agreed to bottle their milk separately, and then sold the milk on specialist markets, at slightly higher prices. Each member of the co-op was paid \$20 per 100 pounds of milk sold, which provided a living wage for their workers.

He said the enterprise has been a success. In three years, the co-op has gone from selling 400 pounds per week in six local stores to 40,000 pounds a week in a market that has expanded into New York City and retailers such as Whole Foods and Stop & Shop.

Acquired taste

He told conference-goers the biggest challenge is educating consumers and convincing them to spend a bit more for the added quality. To this end, he said taste testing has proven invaluable.

"Let the consumer put it to their lips. Let the consumer meet the farmer. Then when they take the product from the shelf, they will wrap it in their arms and become a dedicated customer."

Cornell professor Todd Schmit encouraged farmers to look further afield and take advantage of a new technological take on an old means of transport - the railroad. The company Railex has started a refrigerated, 55-car train service that crisscrosses the United States in five days and is more environmentally sound than truck, plane or ship.

Professor Miguel Gomez said innovative marketing could be key in a bad economy. He said businesses should also turn bad news into good opportunities. The nursery market, for example, could soon suffer as municipal planting projects get cut, aging baby boomer gardeners become too old to manage their own lawns and new homeowners opt to spend their money elsewhere. He suggested nursery owners find new ways to sell their goods, such as marketing plants as stress relievers, environmental modifiers or symbols of friendship, or by providing services such as landscaping.

Growing unemployment and a drop in construction might actually prove a boon for labor-intensive farm operations, Gomez said.
