

# Value or volume – farmer's choice

**PAM TIPPA**

pannel@ruralnews.co.nz

**WITH CONSUMER** preferences changing, farmers are faced with a choice between intensive farming with all the technologies – ‘intensifying’, or going organic – ‘extensifying’, says Rabobank global strategist Dirk Jan Kennes.

“Consumer choices are transferred into value creation, you as a farmer have a choice to create value or create volume,” he told the Rabobank Farm2Fork forum in Sydney last month, attended by *Rural News*.

Major questions on this issue and a research initiative were sparked off for Kennes when he visited a US farmer last summer. He had a big operation in corn and soy and was top performing in skills, technology and financially.

The farmer told Kennes he stays in touch with all the technological developments, experimenting alongside traditional farming practices with innovation including precision farming and biological pesticides, which were working.

A big fast-moving consumer goods (FMCG) company asked him to ‘elevate’ a couple of his hectares to non-conventional farming. The chief executive had promised big growth expectations and realised these were not going to come from volume or traditional products.

“This company wanted to create value, not from product characteristics per se, but by marketing different production processes,” Kennes explained. “These included non-GM, non-antibiotic meat production and organic products.”

The farmer told Kennes his objective had always been to intensify to produce more with less, to feed people in the developing world who struggle to meet the recommended daily calories intake.

The farmer asked, “Is agriculture becoming a battlefield between the

affluent consumer – US, Europe, lately more and more Asia – versus the 800 million people in the developing world who still need to scramble for the daily calories intake?”

Back in his office Kennes and his team started a research project to try to begin answering the question, “Is global agriculture starting to become a battlefield between the consumer and the poor fellow in Africa?”

They looked at the US corn market to get a perspective which could apply to other agricultural sectors in the western world. The US is the biggest global producer and corn is a cornerstone crop.

The research pointed to a 2% decrease in US corn hectares over five years. Disruptive trends will cause the US corn farmer to think about transferring, consolidating and reducing corn hectares. Those hectares will migrate to Latin America and the Soviet Union as it is cheaper to put more corn on the market from those regions.

Technological innovations will markedly increase the planting density of corn in the US; 30% more will come from the same area. US farmers will be forced to innovate technologically to compete with Latin America and the Soviet Union. Less land will be in corn because of demand.

“China has options in food security,” he says. “They can import corn and transfer corn into pork meat... or they can try to improve the efficiency of the corn-to-pork transfer in their own livestock industry. This is the choice between creating value at the US farmgate versus creating value at the Chinese livestock farmgate.”

“I know where ultimately China will put its bet: It’ll be on improving the efficiency of livestock farming there. That will take out a lot of future corn demand currently in all the models of our clients



Rabobank global strategist Dirk Jan Kennes speaking at the recent Farm2Fork forum in Sydney.

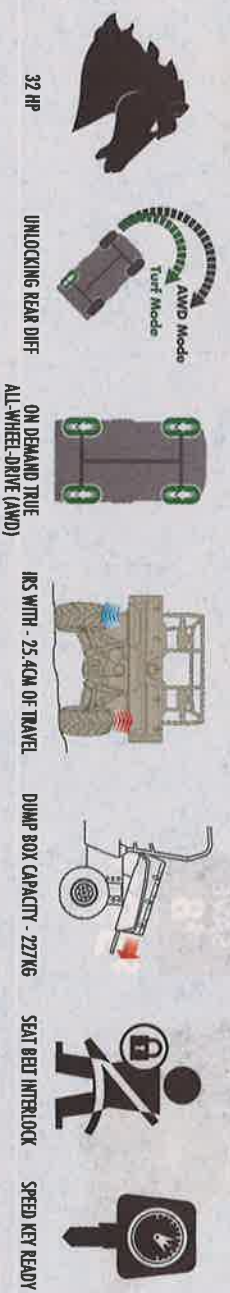
and the models the bank uses.” Based on preliminary results he believes as a farmer you have a choice and you need to choose. “At the global master class one of the farmers said, ‘In the past we could make money by just working hard. Today

we can make money by just working hard and having a bit of luck in the market. Tomorrow it’ll be work hard and have a bit of luck in the market, but you will also need strategy.” “That is the main message I want to give to you today,” Kennes

concluded. “Consumers want choice and consumer choices are transferred into value creation, you, as a farmer, have a choice to create value or create volume.”

@ruralnews  
facebook.com/ruralnews

## INTRODUCING THE ALL NEW POLARIS RANGERS 500



DARE TO COMPARE	RANGER 500	VS	HONDA PIONEER 500
<b>MORE</b> HORSEPOWER	32HP	VS	28.7HP
<b>MORE</b> TOWING CAPACITY	680KG	VS	453KG
<b>MORE</b> DUMP BOX CAPACITY	227KG	VS	180KG
<b>BETTER</b> STANDARD DUMP BOX	YES	VS	NO
<b>BETTER</b> TURF MODE	YES	VS	NO
<b>MORE</b> SUSPENSION TRAVEL FRONT/REAR	229/254MM	VS	150/150MM
<b>MORE</b> FUEL CAPACITY	34L	VS	15.5L
<b>BETTER</b> SPEED KEY READY	YES	VS	NO
<b>BETTER</b> SEAT BELT INTERLOCK	YES	VS	NO
<b>BETTER</b> PRICE	\$13,995 INC GST	VS	\$19,995 INC GST

**RANGER CONFIDENCE FOR THE PRICE OF AN ATV**

**\$13,995 INC GST**

\*Competitor pricing and specifications were cited on manufacturers websites on 7/11/16.

POLARIS HARDEST WORKING. SMOOTHTEST RIDING.

www.polaris.co.nz | Facebook.com/ruralnews