

EXECUTIVE SUMMARY

“50 by 20 – A Ten Year Goal for South Carolina Agriculture”

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Introduction

Recent studies coordinated by the Palmetto Agribusiness Council and the Palmetto Institute have confirmed that the economic impact of agriculture, forestry and its allied industries is \$34 billion per year and creates approximately 200,000 jobs. It is made up of direct and value added impact, indirect impact and induced impact.

50 by 20 is a concept and strategic theme that poses the question “Can the economic impact value increase \$16 billion to \$50 billion by 2020? If so, what will it take to get there?” This concept requires the industry to look forward and develop a strategic plan that is challenging but achievable.

The *50 by 20* plan is relevant and timely as South Carolina finds its place in a global agricultural economy. The Kiplinger Letter (October 23, 2009 Issue) states “Global investment in agriculture must jump by 50% in the coming decades in order to meet the needs of a world population heading toward 9.1 billion (2050).” *50 by 20* is a vision and an ambitious goal to move the agribusiness industry forward.

Background

The 2007 Census of Agriculture indicates that agriculture, crops and livestock, has a \$2.3 billion farm-gate value. Forestry provides almost \$800 million more for a total of \$3.1 billion in farm-gate value. This direct input is the basis that supports the \$34 billion economic impact. To get to the goal of \$50 billion by 2020 requires a direct impact from agriculture and forestry of approximately \$5 billion in cash receipts at the farm-gate level (ratio of approximately 1 to 10).

The farm-gate increase is expected to come from four primary components: alternative energy, the food economy, increasing trade and the....unknown. If history teaches anything, it is to realize that the markets in 2009 may not resemble those a decade from now.

Long-term alternative energy could be based on biomass but could provide significant opportunities for energy crops. Forest resources in this state are enormous and with additional emphasis could provide significant growth.

Projections based on demographics and increases in food sourced locally indicate a potential increase of \$350 million in the local food economy by 2020. South Carolina consumers currently spend at least \$7 billion per year on food with less than 10% originating on South Carolina farms. Projections indicate that food spending in South Carolina will increase to \$10 billion by 2020. Increased marketing and visibility will gain a greater share of the food dollar for South Carolina farmers.

Growing economies in other parts of the world including China, India, Canada, and Mexico coupled with a world class export facility in Charleston, bodes well for increasing export opportunities. Continued promotion touting the quality, availability, and value of South Carolina produced products can add to the market share of South Carolina products both locally and in major markets across the country.

It is critical to base the *50 by 20* strategy on initiatives that make sense. It would make little sense to look at alternative energy if projections indicate that production and use were likely to go down over the next ten years. However, the Food and Agricultural Policy Research Institute (FAPRI) indicates that production and use of biofuels is likely to grow an average of more than 6% a year for the next decade. This means that production and use could double by 2020. Specific initiatives throughout this process are backed by published statistical information and projections.

Areas of Emphasis

Based on initial analysis, four general areas of emphasis have been identified to incorporate toward reaching *50 by 20*:

- Agribusiness Economic Development
- Marketing & Export Opportunities
- Expansion of Existing Industries
- New Technologies and New Crops.

Other focus areas could be added and these listed could be modified, but those included here provide a basis for further analysis to look at specific initiatives for accomplishing a *50 by 20* strategy.

Agribusiness Economic Development Initiatives

Agribusiness Economic Development is a key component of the *50 by 20* concept. New tools and new incentives are needed that work for agribusiness. A focused agribusiness recruitment effort needs to be funded and staffed with professionals. Reauthorization of the “Family Farm Development Act” would provide a tool to finance new projects and encourage new, young producers.

Identifying specific industries that make sense for South Carolina is important. Industries such as biofuels, food processing, forest products and other value added industries appear to have potential over the next ten years. A focused recruiting effort, backed by significant incentives, will provide opportunities to bring additional industry investments to the state and create additional demand for South Carolina products.

Marketing & Export Initiatives

Developing new markets and enhancing existing ones, whether domestic or export, is critical to creating additional profitable production opportunities for farmers and forestry producers. The Certified South Carolina marketing and branding program has provided a good start by bringing focus to the quality products available from South Carolina farms and forests. It has been embraced by retail markets across South Carolina and along the East Coast. This potential

capitalizes on a very sustainable, consumer-driven, local food economy. This momentum must not wane but must be built upon. A recent Kiplinger Letter (October 23) makes this point in discussing management decision making in a recession. Companies must be vigilant in controlling costs, but must not give up the focus on marketing. Marketing increases sales and provides the revenue to get out of the hole and build market share. Continuing to fund these efforts will gain market share for South Carolina produced products.

The state farmers market in Columbia is on the verge of opening on a new site. Many opportunities now exist that were not available at the old site. This new market provides a focal point for South Carolina producers and provides an opportunity to recruit new wholesalers and other ag related businesses to the state. Additional investments at state market facilities in Florence and Greenville will benefit farmers and consumers across the state.

Exports will continue to be a vital part of marketing U.S. agriculture. South Carolina has world class port facilities that provide an edge as new international markets are developed. Investing in grain exporting facilities could be a boom not only for South Carolina but for the whole southern region. Historical analysis shows that the greater acreages of several crops in South Carolina were supported by a viable port facility for commodities. In the 1980's when the grain export facility at Charleston was in full operation, soybean acres exceeded 1.2 million acres on average. Today those acres have decreased to about 600,000 acres. Wheat production in the 1980's averaged around 500,000 acres. Today that has decreased to about 165,000 acres.

Initiatives to Expand Existing Industries

Economic development professionals know and understand that new jobs and capital investments come most often from the expansion of existing industries. Agribusiness firms are no different. South Carolina has vital components of agribusiness --forest products, poultry, greenhouse/nursery, equine, fruit and vegetable processing, and aquaculture – wild caught and domestic-- that need to be nurtured. These industries are significant contributors to the state economy and employ thousands of workers. The potential for expansion in these industries is extraordinarily dependent on an open and conducive business climate that encourages development of agribusiness firms.

Initiatives for New Technology and New Crops

Investments in technology and research are essential. Breakthroughs in technology can take an economy down paths that could only be imagined just a few years before. Adequate funding for basic and applied research at land-grant and other appropriate institutions is necessary to provide the means for technology to benefit producers and the environment. Research can determine the viability of new high value crops and can find new uses for traditional crops. It is an important link as the industry looks out ten years to determine how to create additional profitable opportunities balanced with environmental enhancements.

Other Initiatives

Other important considerations must be taken into account to accomplish the *50 by 20* mission. Resources must be protected through conservation efforts and other means. The Conservation Bank program serves a great need that can continue to maintain valuable working farm and forestry lands.

Passage of the Cigarette Tax in its original form would provide a dedicated source of funds to aid agriculture and help with the reinvestment of an agricultural economy in the Pee Dee that was heavily dependent on tobacco production. A plan has been laid out and presented to the General Assembly for utilization of these funds that include marketing, assistance for young farmers, and a fund to address drought and other disaster issues.

Agritourism provides an opportunity both for producers and consumers. Income opportunities are available as many have already realized with corn mazes, hunting and other outdoor and seasonal activities. Consumers have a renewed interest in rural areas, landscapes, heritage, and food production.

Regulatory issues must be monitored. A restrictive and unfair regulatory environment can inhibit agricultural opportunities and keep the industry from ever reaching its full potential. Labor issues need to be resolved so that agriculture can find the work force it needs. A fair and equitable tax structure is essential to be able to keep land in agriculture and forestry.

Summary

All of these initiatives comprise an aggressive agenda that will need industry, executive, and legislative support. It is not a list for the 2010 or 2011 session of the General Assembly. The initiatives represent investments in an industry that can produce a return for the citizens of South Carolina.

To reach the goal of \$50 billion impact by 2020 a concerted and strategic effort by agribusiness leaders, from farmers both large and small to CEO's of multi-million dollar firms, will be needed. The *50 by 20* concept provides a strategic framework to move the agribusiness industry forward and achieve great things for the future.

The heritage of agribusiness in South Carolina is a proud one. In addition, it provides a present day contribution to the economic and environmental health of the state and the quality of life that citizens enjoy. The purpose of the *50 by 20* effort is to let South Carolinians know that the agribusiness industry is focused on the future, not the past.