Shifting Landscape in the U.S. Western Agricultural Market

By David Sypnieski, Entira Project Collaborator, Western U.S. Market Studies

The one constant in life is change. In business, significant changes that alter the way people think and act are called inflection points. Intel’s Co-Founder, Andy Grove, is famously quoted as saying, “only the paranoid survive” when talking about inflection points. Organizations and people that, 1) appreciate this fact; and 2) are willing and capable of adjusting with change put themselves in positions to maximize opportunities that inevitably arise out of significant changes. I believe the “business environment” surrounding the Western U.S. agricultural market, while always changing, has changed in a few critical areas that are requiring stakeholders to change the way they think and act—an inflection point.

The Western U.S. specialty crop market has experienced continual growth for many decades, from the early 1900s to now. This growth has primarily been driven by expanding water supplies, availability of prime agricultural land and relatively consistent labor resources. Over more recent decades, the increasing use of mechanization and fossil-based energy sources, along with adoption of more sophisticated technology tools, have contributed to sustaining the market’s growth. Significant restraints on these driving market factors are becoming measurable and affecting how the industry is going to be required to sustain its growth in the near term. For example, between 1949 and 1989, agricultural productivity growth in California averaged 2.2% per year, while from 1990 to 2002 it slowed to 1.2%. The pressure on the above factors has only increased and is contributing to a continued slowdown in growth.

Feeling the Squeeze

While water availability has always been a point of contention within the Western U.S., increasing demand has historically been met through storage and conveyance projects. The current environmental, monetary and political environment has become prohibitive to continual large-scale projects and available supplies are rapidly approaching full appropriation. Advancements in irrigation management practices have contributed to the sustained growth, but even so there is no denying that the historical availability of water will never be the same.

The western U.S. is recognized as having vast open lands. The reality is that only a small portion of these lands are considered to be prime agricultural land with soils and environments best suited for agricultural production. In California for example, which has approximately 100 million acres of land, 43 million acres are used for agriculture (16 million acres are grazing land and 27 million acres are cropland). Of that, only about 9 million acres are considered to be prime, irrigated cropland. Rapid and dramatic urban growth over the past couple of decades has resulted in a significant loss in available agricultural lands, especially prime agricultural land. Between 1984 and 2008, 560,000 acres were lost due to urbanization. Additional agricultural land has been surrendered primarily due to the creation or expansion of wildlife refuges and withdrawals from water shortages. Irrigated farmland acreage decreased approximately 200,000 acres statewide due to these related issues.
Regulatory and compliance issues have always been viewed as a burden to growth, especially in agriculture. Seemingly though, this burden has recently been grown dramatically terms of redundancy and the number of originating sources. Application (chemical & nutrient), labor, emissions, food safety, sustainability, environmental requirements, compliance, documentation, certification, and the like are at an all-time high. The volume and complexity of regulations is recognized as one of the greatest challenges to California agriculture. Studies suggest that regulations cost California agricultural producers an estimated $2.2 billion annually, which is about 6.5% of the total market value. Fruit, nut and vegetable growers report that regulatory and compliance costs are steadily increasing and now account for approximately 11% of capital and operating costs.

Adapt, Survive and Thrive

The Western U.S. agricultural market is unique in its diversity of cropping systems, markets and evolving business environment. Industry stakeholders (growers, processors, vendors, etc.) have proven to be adaptable to this large, yet unique market segment. The pressures and constraints being placed upon core industry factors, that have supported historical industry growth, are forcing industry stakeholders to potentially act and think differently. Historical market assumptions and analyses that traditionally produce aggregated market and demographic data aren’t going to support insightful analysis to understand how an inflection point will affect strategic decisions going forward. As history has repeatedly shown, there is a certain segment of any population that recognizes that their perceptions are indicators of a new reality. Entira is working on several unique market studies to deliver insightful analysis and guidance to progressive industry stakeholders. To learn more about how your organization can benefit from Entira’s services, contact Karol Aure-Flynn at kaureflynn@entira.net or 661-330-3238.

About David

A California native, David Sypnieski brings more than 15 years of experience in developing and deploying strategic branding, marketing and sales initiatives. He is recognized as an innovator with a unique set of analytical skills earned by hands-on experience in various technology and agricultural industries.

His experiences include the co-founding and launching of two start-up technology companies along with establishing a metric based sustainability program related to the commercial landscape market. Specifically within the agricultural market, David has managed the re-launching of an agricultural focused advanced remote sensing and mapping technology, and more recently the restructuring of the product and market strategy for an agri-business related software company.

David earned a degree in Public Relations and Issue Management from CSU Sacramento.