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What kind of farm enterprise for tomorrow?

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I – The framework

1. Globalisation

The strengthening of the competitiveness of farms is an essential condition for future performance at a time of increasing globalisation of economies. Today, agriculture must take up new challenges to face up to reforms of market organisation, the requirements of consumers and public opinion and to remain a major actor in rural development.

2. The role of the market

In the years to come, the price mechanism will play a more important role on international markets than in the past and the competitive capacity of farmers will be more determinant.

3. The requirements of consumers and retail chains

Quality will be determinant as well. The new dimension of this criterion on international markets is related to the fact that an increasing proportion of trade now concerns processed products. Competitiveness and quality will therefore be judged with regard to both the basic produce and the finished product. In fact, the large retail chains play a larger role than the consumer in the domain of price, quality and subsidiary services, with regard to both producers and consumers.

4. Services: new markets

Finally, over and above the question of agricultural production itself, the debate on agriculture will extend even more to the services provided by agriculture in the modern world. Agriculture is not limited to the supply of material goods but also provides services in tourism, leisure, social questions and the environment. These are market services. However, society, with its requirements concerning agriculture, landscapes, types of cultivation with more respect for the environment or the well-being of animals, will be led to compensating the increase in costs generated by these overall services rendered to society.

5. The roles of science and biotechnology

These open up new and immense possibilities for agriculture and also new constraints. The changes will mean that tomorrow's farm enterprise will be increasingly concerned simultaneously by very globalised farming and sales systems and by very localised service activities.

This is why it must prepare both for increased competitiveness to win markets and also tend towards more overall rural development including targets other than production activities alone.

Indeed, a farm enterprise that can face the twenty-first century without fear is one that has all the characteristics required for meeting these new challenges, regardless of its size and the type of production.

II – A farm enterprise able to address markets

Abandoning the single agricultural model, it will be multiform, practice several types of agriculture and use policies suited to its objectives and diversity.

Tomorrow's farm enterprise must be able to combine economic effectiveness, optimum management of labour, natural potential and the land area. This will be the new framework for overall performance and sustainable agriculture.

The trend towards internationalisation with less protection for national markets will oblige farms to pay more attention to the reality of markets:

☐ **by seeking to match supply and demand**

Tomorrow's farm enterprise must be capable of producing the type of product desired by clients and consumers and sell it at prices often imposed by the retail chains;

☐ **by avoiding over-specialisation**

The enterprise must centre operations on its strong points and profit well from them by seeking competitiveness on the one hand and security on the other, while not keeping to crops that are too specialised.

An enterprise that is too specialised, in comparison with a more polyvalent business that is not too dispersed and diversified, runs the risk of experiencing more difficulties as a result of market uncertainties;

☐ **by enhancing the emergence of true businessmen**

Tomorrow's farm enterprise will be managed by a true 'businessman' dealing directly with partners for sales and purchases and who possess a vision of his enterprise with a view to meeting demand from markets and clients and a concern to remain competitive. Finally, he must take care to organise his enterprise so that it can adapt to new requirements rapidly and economically.

III – An adaptable farm enterprise

The farm enterprise must be capable of adapting rapidly and at least expense in a much more unstable economic context, resulting from the nature of international markets and their basic logic.

1. Anticipate changes and optimise investments

An adaptable enterprise is one that is capable of modifying its production volume or production charges rapidly and at a reasonable cost.

With a seemingly unavoidable downward trend in farm prices, the manager of a farm enterprise will have to change his behaviour. There will be less room for manoeuvre and no possibility of an error in appraisal, especially with regard to equipment.

2. Reduce fixed costs

The efforts already made to reduce fixed costs should be continued. Small and medium-sized holdings will make joint use of machinery or use any system enabling the reduction of fixed costs.

IV – An enterprise in which risks are calculated and reduced

- ❑ By guaranteeing prices less and less, states make enterprises more vulnerable to various risks. The manager must therefore seek other ways of limiting his risks.
- ❑ The cost reduction themes and the avoiding of too great a specialisation go in this direction. However, this is not enough.

Farm enterprises must benefit from protection against the economic uncertainties that are added to the climatic uncertainties for which certain guarantee mechanisms have existed for a long time. Projects for crop insurance or income insurance are being considered or even tested in France, on a European scale and in the USA and Canada. There is no doubt that these projects will come to fruition in a few years since farming cannot face alone both climatic uncertainties and those of the market.

The farm enterprise of tomorrow will also use futures contracts to limit the risks of price variation by 'arbitration'.

- ❑ It is also essential that states should set up a system of untaxed provisions in years of profit for use in years of deficit but which can be reincorporated if there are five good years in succession, for example. The development of the risk management tools that are essential to ensure the viability and competitiveness of farms is a very big job for states, farmers and the financial institutions involved.

V – A 'Good citizen'

The development of French agriculture has been essentially an economic activity for many decades. It has been a response to society which asked farming to produce crops to feed people. This remains the main function, as it should never be forgotten that there are still people who are short of food.

1. Crop management sequences that respect the environment

While the farm enterprise must conserve its development approach, it must also henceforth include an environmental approach to develop its role in the protection of the quality of life and natural resources. It is here that agriculture, like other economic activities, must operate with a logic of sustainable development. It must therefore combine good agricultural practices, respect of the environment and conservation of our heritage.

2. Reconciling economics, social features and the environment

This sustainable development concept must include three essential dimensions for the farm enterprise of tomorrow:

- ❑ an economic dimension, as the enterprise can only exist if it is capable of achieving the changes imposed by the increasing internationalisation of markets,
- ❑ a social dimension, with a true social choice aiming at defining the optimum number of farmers that is desirable. Men and women must remain the fundamental components of the development of agriculture and must contribute actively to the equilibrium of the rural world,
- ❑ an environmental dimension insofar as economic development cannot proceed at the expense of protection of the environment, of areas and or natural resources.

The farm enterprise can only exist with the reconciliation of these three interdependent elements. These are the conditions for it to be 'a good citizen'.

VI – An innovative, plural enterprise

Tomorrow's farm enterprise must depart from single models to be oriented towards models that differ in type of production, combination of activities and marketing channels. For this, it must be reoriented, must use its advantages, diversify in the light of the market, lay emphasis on quality chains and also perform new production functions. These will be the requirements of a new form of competitiveness.

1. Meeting new demand

Organic production and biotechnology energy production will become a long-term strategic and environmental possibility. It will be comparable to the food issue of the past even if the scale is not comparable.

In addition to energy production, the farm enterprise will be called upon increasingly to supply basic substances for synthesis, textile and pharmaceutical industries.

Involving farm enterprises in the production of energy and of new raw materials is a broad-reaching and innovative trend.

2. New trades

The farm enterprise must not only create material goods and raw materials but will also produce more intangible goods.

The twenty-first century farm will be invited to create and maintain a heritage passed down from generation to generation, to renew a collective identity illustrated by the maintenance of landscapes and contribute to the quality of everyday life. These are missions of public interest.

Conclusion

The next century will still need competitive agriculture that is a factor in social wellbeing, economic balance and political stability. However, farming will be more attentive than in the past to the environment and the agricultural and rural heritage.

In fact, a new kind of farm enterprise is taking shape on the horizon. In order to go beyond the standard, technico-accountancy model of agriculture of the past decades, farmers are requested to practice a compound trade, operating in the short term and the long term, a trade with both market and territory preoccupations.

The enterprise of the future will be large, medium-sized or small. The essential characteristic will not be its size but its ability for rapid adaptation to markets for the least cost and to respond to the expectations of both citizens and consumers.

This is why the future of agriculture is based essentially on farmers and their ability to be entrepreneurs under the conditions of the twenty-first century and, finally, to a considerable extent on the training that they have received. This is both a stimulating and formidable task for the teachers that you represent here.

