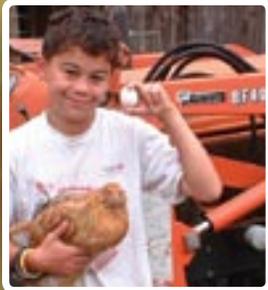


[EXECUTIVE SUMMARY]

WASHINGTON Agriculture

Strategic Plan
2020 and BEYOND





Agriculture is the cornerstone of Washington's economy in both rural communities and metropolitan areas. Agriculture is woven into the fabric of Washington State's heritage and has been an important cultural institution in Washington since the earliest days of territorial settlement. Farmers and ranchers provide environmental stewardship to 15 million acres of the state's lands. *The Future of Farming: Strategic Plan for Washington Agriculture 2020 and Beyond* is intended to ensure that agriculture remains vibrant and prosperous for generations to come.

The Washington State Department of Agriculture developed this strategic plan from the experience, expertise and diverse opinions of hundreds of study participants. The Future of Farming project did not seek to achieve consensus, rather, it documents the input of producers, processors and other industry specialists. On behalf of WSDA, I would like to acknowledge the contributions of Jennifer Harte, Carrie Coineandubh, Dr. Desmond O'Rourke and the Future of Farming Steering Committee, as well as the hundreds of others who participated in the study.

This report does not offer prescriptive solutions for securing the future of agriculture, but provides a road map by which to navigate. Now we must focus on developing the public policies that respond to the needs. Although this plan was written at the direction of the Washington State Legislature, the recommendations can and should be leveraged by advocates for agriculture, private and public, at every opportunity.

Washington agriculture is fortified by the depth of our farming roots and the innovation of our industry. By making agriculture a priority, policy makers can ensure that the farmers and ranchers of tomorrow will remain competitive in the global marketplace and preserve the proud heritage that is Washington State agriculture.

Sincerely,

A handwritten signature in blue ink that reads "Robert W. Gore". The signature is fluid and cursive, written in a professional style.

Robert W. Gore
Acting Director

[Executive Summary]

WASHINGTON Agriculture

Strategic Plan 2020 and BEYOND

Categorized Areas of Recommendation

CATEGORY #1 Make Agriculture a Priority

– *critical to socio-economic vitality*

- Business environment conducive to success
- Assemble agency and industry leadership
- Economic development program

CATEGORY #2 Eliminate Regulatory Barriers

– *promote competitiveness*

- Blue Ribbon Panel to evaluate the impact of regulations
- Agencies provide outreach and meet to improve consistency
- Construct a model Agricultural Impact Statement

CATEGORY #3 Protect Resources

– *availability and access*

- Land
- Water
- Labor
- Energy
- Capital and credit

CATEGORY #4 Strengthen Supportive Services

– *assure competitiveness*

- Education
- Transportation
- Science, technology, research and development
- Processing and preparation
- Marketing services
- Information, communication, and outreach
- Producer associations and formal commissions

CATEGORY #5 Harness Emerging Opportunities

– *identify, monitor and respond*

- Organic, sustainable and local
- Multi-year farm bills
- Food safety and food security
- Climate change
- Risk management

Strategies for the future:

Analyze, Respond, Allocate and Improve



Current Importance of Agriculture to Washington

Agriculture contributes extensively to Washington's economy and society. It generates a rich diversity of food, fiber, forage, and fuel for the state, nation, and the world. It generates income and employment on 33,000 farms in all 39 counties. It underpins a large food processing industry and supports many supply and marketing services in machinery, transportation, packaging, and more. Agriculture is the pillar of many rural communities, generating tax revenues for roads, schools and other services; injecting new technologies; and providing leadership in organizations. The quality and safety of Washington's agricultural products continues to raise the state's reputation around the world. Farmers are stewards of the state's private lands, protecting streams, lakes, birds, and wildlife, and maintaining the aesthetic appearance that casual observers enjoy.

"The quality and safety of Washington's agricultural products continues to raise the state's reputation around the world."

The economic impact of agriculture in Washington is considerable. Cash receipts at the farm level in 2007 were a record \$8.4 billion. Each dollar of farm cash receipts multiplies itself throughout the state's economy. Overall, agriculture boosted state economic activity by approximately \$21 billion in 2007.

There is a strong symbiotic relationship between agriculture, the many ancillary business activities it stimulates, and the social effects it generates. In 2007, the food processing industry had 937 establishments employing 34,000 workers and grossed \$9.1 billion. Agriculture also drives extensive activities for cleaning, packing, and preparation of fruits, vegetables, grains, legumes, and other specialty products. The rural communities that supply the land, water, and people of agriculture could not flourish without farming. That is why the Future of Farming project is so vital to the stability of Washington's socio-economic health.



Genesis of the Future of Farming Project

Washington agriculture went through a difficult decade between 1995 and 2005. Prices and profitability were weak and many producers left the industry. Competition intensified in both domestic and international markets and competition for resources such as land, water, and labor also rose. Proliferating regulations and non-governmental requirements added many new costs.

In response to widespread concern about the future of Washington agriculture, the 2007 Legislature directed the Washington State Department of Agriculture (WSDA) to conduct an industry-guided evaluation of the strengths, weaknesses, opportunities, and threats to agriculture. The project sought input on the present conditions and future challenges of Washington agriculture from as many industry segments as possible. It was one of the most inclusive efforts ever conducted in any state. Agriculture is a geographically encompassing and product-diverse industry, so the priorities that emerged do not apply equally to all segments.

This study reports the agriculture community's recommendations to the 2009 Legislature that will keep farming strong for years to come. The plan is not the official policy or position of the WSDA, but rather represents a compilation of input from about 2000 participants. The working papers and other appendix materials represent the viewpoints and expertise of their authors. Their inclusion does not constitute approval by the WSDA or by all the project participants.

"This study reports the agriculture community's recommendations to the 2009 Legislature that will keep farming strong for years to come."

Need for a Globally Competitive Washington Agriculture

To survive in agriculture, farmers and agribusinesses must be globally competitive. Consumers are increasingly discriminating, and retail buyers more demanding. Products must meet many new government and non-government standards. Some countries can deliver products to U.S. customers more cheaply than can Washington.

All products compete in a constantly evolving social, economic, and politically driven global market system. The future of farming in Washington will be heavily influenced by the various factors that either enhance or reduce competitiveness. These factors fall into three main categories; the burden of regulation, the availability of resources, and the vitality of support services.



Regulatory Barriers to Competitiveness

Future of Farming participants reported regulations as their biggest obstacle. These add costs and divert resources that are urgently needed to improve quality, enhance value, and boost productivity. While most individual laws have a sound rationale, the increasing number of local, state, federal, and non-governmental regulations affects almost every aspect of farm operations and has a damaging, cumulative effect on business. In complying with laws and regulations, farmers report direct costs to alter established farm practices and additional indirect costs from overlapping or inconsistent applications, multiple permit requirements, uneven enforcement, and difficulty in accessing agency guidance. Smaller operators face special disadvantages due to regulatory complexity. Many farmers explained that regulatory burdens discouraged their children from taking over the farm, discouraged investment in value-added opportunities, and discouraged new entrants from establishing farms.



Resource Constraints on the Competitiveness of Washington Agriculture

The Future of Farming participants identified five resources critical to the competitiveness of Washington agriculture: land, agricultural water, energy, labor, and capital and credit.

The rapid growth of urban populations increases competition for the available land and water. Loss of farmland is greatest around urban centers. Demand for both land and water has boomed and the battle over water rights is likely to intensify. Often, non-farm users can outbid farmers for water rights and pay more for land. Participants in the Future of Farming project expressed a need for an updated inventory of the availability, needs, concerns, and opportunities for land and water in the state.

Labor availability for agriculture is under threat. Concerns about labor shortages are most acute among intensive crop farmers in Central Washington, but shortages of suitable labor are a worry in every region. Stricter immigration controls and more costly worker laws make farmers reluctant to expand production of high-value fruits and vegetables, and have led many processors and agribusinesses to replace labor with machinery or to exit the state or industry.

Energy availability was a past advantage of farmers and agribusinesses in Washington and drew many food processing businesses to the state. However, the advantage of low cost electrical power from hydroelectric dams is being eroded, and the fluctuations in 2008 fuel prices were costly in many sectors.

The fifth noteworthy resource to protect is long-term capital for investment in perennial plantings, facilities and equipment, and short-term credit for operations. These needs have been adequately met in recent years for existing operators, but less so for new or alternative farm operations, especially during periods of economic downswing.

Need to Enhance Support Services

Future of Farming participants recognized the importance of fostering support services including: (1) education, (2) transportation, (3) science, technology, research and development, (4) processing and preparation, (5) marketing services, (6) information, communications, and outreach, and (7) producer associations and formal commissions. Participants believed that since many major competitors are making large advances in similar agricultural support services, Washington would need to make comparable advances to hold its own in local, national, and global markets.

All sectors of the state's economy share a concern about the ability of the state's education system to adequately prepare children for the demands of modern society. The current educational system needs more programs designed to prepare young people for careers in agriculture.

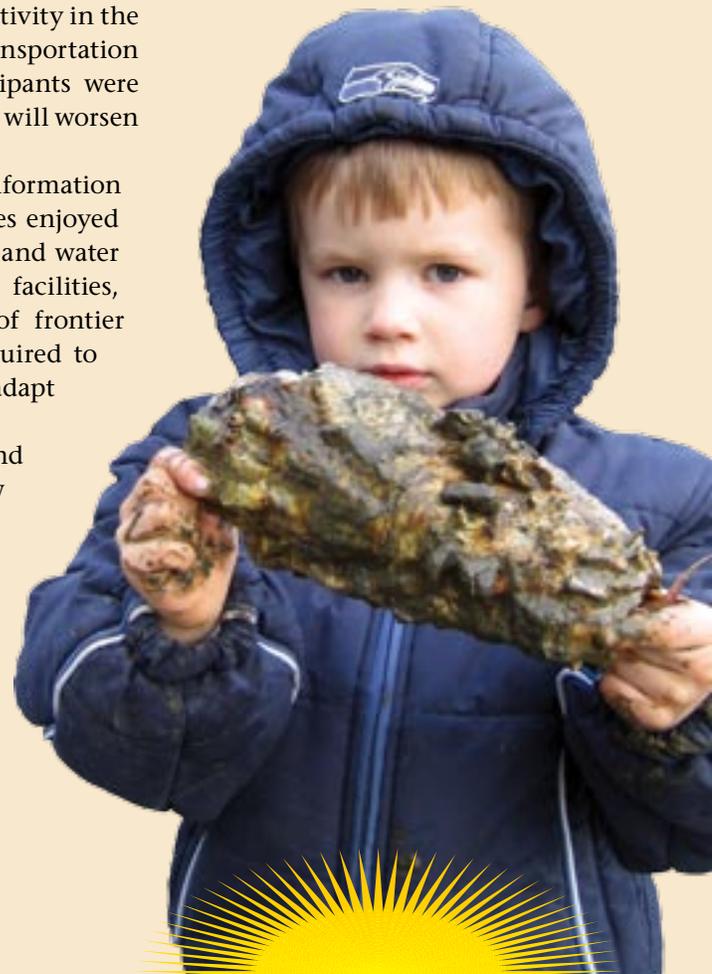
The cost and availability of transportation underpins every activity in the supply and marketing chain. Agriculture needs an efficient transportation system with adequate capacity and free of bottlenecks. Participants were concerned that without targeted actions, transportation problems will worsen as the state population grows.

Science and technology and the state's research and information dissemination system will be critical in offsetting the advantages enjoyed by competing suppliers, especially those with lower land, labor, and water costs. Scientific advances have been handicapped by aging facilities, declining budgets, and the increasing complexity and cost of frontier research. Additional funding and expert personnel will be required to strengthen research and outreach activities and identify and adapt new technologies.

The symbiotic relationship between farming and processing and preparation has been discussed above. Many processors are now part of multinational organizations with many alternative raw product sources, and will continue to locate in Washington only as long as it makes business sense to do so.

Whether products are marketed next door or around the world, Washington farmers need the help of a wide array of marketing services to meet the needs of retailers and consumers. Participants agreed that more federal and state assistance was needed in market information and analysis, product development and promotion, and other marketing services to counteract well-funded competitors.

“The current educational system needs more programs designed to prepare young people for careers in agriculture.”



Emerging Factors

Because the Future of Farming project was charged with looking to 2020 and beyond, it tried to take into account issues and challenges that were not reported by respondents as critical but that are likely to affect the future of farming. Five items most prominent include food safety and security, risk management, multi-year farm bills, climate change, and meeting consumer demand for “alternative” or niche products (organic, local, and so forth).

Food safety continues to be a major concern in the international food system and has led to more intense surveillance of all food products. The cost must generally be borne by producers, squeezing already tight profit margins.

Multi-year farm bills have traditionally provided support for program crops such as wheat and barley and, since 2002, peas and lentils. The 2008 Farm Bill was the first bill to fund research and marketing for specialty crops (such as fruits and vegetables), which are very important to Washington. It also simplifies existing programs and creates new ones to address high-priority areas.

The phrase “climate change” has become a lightning rod for debate. While many in agriculture question the climate change forecasts, new state and federal policies aimed at reducing greenhouse gases are on the way. Agriculture could be strongly impacted and needs to be active in discussions and prepared to work with potential consequences, both positive and negative.

The Future of Farming project highlighted the many risks that agriculture has traditionally faced from weather, swings in production or prices, disease, and so on. However, farmers now face newer risks as a result of global competition, evolving regulations, access to resources, and other changes. The industry needs to develop risk management skills and tools that are relevant to the future and specific conditions in Washington.

Organic, local, sustainable, free-range, grass-fed, and many other alternative or traditionally non-conventional types of production and certifications are demand-led and increasing. Producers need to be aware of this growing sector and prepared to meet the demand.



Key Recommendations

There is widespread belief among participants in the Future of Farming project that the importance of the agricultural industry to Washington's economy and society has been underappreciated, and that many of the decisions made over the years to serve or protect other interests did not fully consider the impacts on agriculture. As a result, agriculture's competitiveness and future survival is under threat. The agriculture community's main recommendations, listed below, focus on increasing understanding among state policymakers and call for proactive policies to reinforce agriculture's socio-economic role:

1. **Make agriculture a priority.** This will require widespread acceptance of agriculture's importance to the state, and greater emphasis on agriculture's needs in future policymaking.
2. **Eliminate regulatory barriers.** The accumulation of complex local, state, and federal regulations has become a major threat to agriculture's competitiveness and to the retention of the state's food processing industry. It is a serious deterrent to current producers and to the entry of next generation farmers and agribusinesses and must be improved.
3. **Protect resources.** The land, water, labor, and energy resources crucial to agriculture's survival are under threat. Agriculture needs assured access.
4. **Strengthen support services.** Global markets have become intensely competitive and demanding. To compete effectively, Washington agriculture needs additional assistance in advanced research and applied technology and in other services such as transportation, processing infrastructure, education, and marketing.
5. **Harness emerging opportunities.** Agriculture must acknowledge, recognize, monitor, and tap into emerging factors in a timely manner.

Detailed justifications for these and other major recommendations, and proposals for specific future actions, are included in the full report of the Future of Farming project.

*December
2008*

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