Food and Agriculture: Too Important for Partisanship

The U.S. agriculture and food industry is the envy of the world and has achieved a level of success that is unparalleled. Yet, as we saw in the recent Presidential election, a vast divide exists between rural and urban America. Notwithstanding the very strong farm economy, rural America and farm country overwhelmingly supported Mitt Romney by over 20 points, and yet urban America supported President Obama by nearly 25 points. Although deeply divided politically, both urban and rural America are strongly linked in large part due to our safe, affordable, nutritious, and abundant food supply. U.S. agriculture has never been more relevant to the economic success of all Americans and for the world than it is today.

Food and agriculture faces even greater opportunity for growth over the next several decades, and will need young, educated, skilled leaders to ensure that growth is realized. In a keynote address to the Farm Journal Forum, Secretary Vilsack posed this important question: “How are you going to encourage young people to want to be involved in rural America or farming if you don’t have a proactive message?” Good question. But young Americans seem to have already grasped the enormous potential of this great industry. Food and agriculture departments at colleges and universities around the country are enjoying remarkable job placement rates, and young Americans are enrolling in record numbers. From 2009-2011, the nation’s land grant universities saw enrollment in agriculture and related programs increase by 20 percent among female undergraduates, and 9 percent among male undergraduates. Women now outnumber men in undergraduate land grant agriculture programs. Moreover, degrees in agriculture and food sciences are becoming increasingly diverse: engineering, science and technology, finance, communications, nutrition, and other fields that offer critical skills and a much needed expertise to power the American agriculture economy. These are similar skills required by the economy as a whole.

As rural America braces for a surge in global demand for food and agricultural products, there is an enormous opportunity to share this story with all Americans. Every American, urban and rural, directly benefits from the vast productive capabilities of U.S. agriculture. Americans spend about 10 percent of their disposable income on food, the lowest of any industrialized power in the world. Imagine if we spent 30 percent of our income on food, which is the amount the average Russian spends. More than $1 trillion dollars, out of our total economy of $15 trillion, would be relegated to food expenditures. American consumers, urban and rural, are provided with the safest and most affordable food supply in the world. But there are even broader economic reasons underpinning the importance of our food and agricultural industry. While U.S. agriculture at the farm gate represents less than 2 percent of the Gross Domestic Product (GDP), when combined with transportation, processing, and marketing that makes up the food system it rises to over 10 percent of the GDP. The industry employs 20 million workers and contributed over $137 billion in gross exports and $40 billion to our net trade balance in 2011.

Last year American consumers alone spent $550 billion for food products originating on U.S. farms and ranches. The US agriculture and food industry is only slightly smaller than the manufacturing industry (11.5 percent vs 10 percent of GDP) and nearly eight times larger than the computer/electronic products industry.

By 2050, our global population is expected to reach 9.1 billion people with over 80 percent of those people living in the developing world. Worldwide, urbanization will continue at an accelerated pace, and by 2050 almost 70 percent of the global population will live in urban areas, compared to the 49 percent who do today. By 2050, enormous population changes and shifting income levels in Asia and sub-Saharan Africa will be a key drive in the global demand for food. China’s middle class, now about the same size as the entire population of the U.S. today, is estimated to grow to 700-800 million by 2050. According to the Asian Development Bank, India’s middle class is expected to reach nearly 1.4 billion by 2050. India’s middle class alone will become the 5th largest consumer market by 2030. All of this will necessitate an enormous increase in global food production over the next 40 years, and this will have to occur with the constraints of significantly less water and without a major increase in arable land. These natural resource constraints coupled with sustainable agriculture production, and the need to meet increased food production, presents U.S. agriculture – but more significantly all of America – with tremendous challenges and opportunities.

In the context of these demographic changes, the world will continue to face the uncertainties of volatile climate and weather conditions, as
Minnwest is a family owned company, operating community banks in 25 offices across 19 communities in Minnesota and South Dakota. With over $1.5 billion in assets, they are the 5th largest banking company headquartered in Minnesota. Minnwest began in 1987 when they acquired seven community banks from a large regional banking organization. Since that time they have focused on providing financing and other financial services to farmers and businesses, generally family owned.

From those seven banks, Minnwest slowly grew over the years, acquiring some branches in various communities and opening new offices in others. Minnwest views their principal task as supporting economic, cultural, and educational growth in the communities we serve through traditional banking activities, community involvement, and charitable support.

Q & A with Todd McVay, CEO:
How is your organization funded?
Minnwest Banks are largely funded with local deposits which are lent back into the communities we serve.

What is new at Minnwest?
Minnwest Banks are participating in the Farmer Mac (Federal Agricultural Mortgage Corporation) programs. Farmer Mac is a secondary market provider which allows us to offer long term fixed interest rate options to our agriculture customers. Farmer Mac was created by Congress to establish a secondary market for agricultural mortgage and rural utilities loans to increase the availability of long-term credit at stable interest rates to segments of rural America.

What are the key trends affecting your industry?
The banking industry is being subjected to an increasingly onerous regulatory regime, the cost of which is making many smaller community banks long-term untenable. Legal initiatives that were undertaken to address the excesses of large investment banks are being implemented in such a way that community banks are being adversely and disproportionately affected.

Biofuel expansion is also a major issue affecting our industry. In 2002, 707 million bushels or 7% of the total corn production was used to produce ethanol. By 2011, nearly 5 billion bushels or 39% of the total corn production was being consumed for ethanol production. The resultant increased demand for corn has had structural implications for the entire agricultural sector and is drawing large numbers of new acres into production world-wide. Where will equilibrium be reached and what will the implications be for asset values? I don’t think anyone knows, but the world will certainly be different.

Our inability over the last ten years, both on the federal and state levels, to develop a coherent fiscal policy is serving to suppress growth and investment. Somehow we need to develop a credible long-term plan that will more appropriately match expenditures with revenues.

What are your legislative priorities?
We desperately need a farm bill passed this year. Governmental policy set direction for the agricultural sector since the Homestead Act of 1862. Being involved in agriculture in a United States without a farm bill is somewhat akin to being aboard a rudderless ship.

The banking industry needs relief from regulatory burden. We currently have as many as three separate governmental agencies – each with their separate rules, their separate bureaucracies, and their separate self-interests – regulating some areas of our business. We, and the public, would be better served by fewer and more consistent regulators.
What You Need to Know this Session: 2013 Legislative Update

By Stacey Stout,
Agri-Growth Contributor,
SLS Consulting

As the legislative session is in full swing, we have seen a number of issues arise this session that affect the agriculture and food industry. There was a considerable loss of legislators with an agriculture background because of the change of seats in the November election and the influx of over sixty new members. With the decline of food and agriculture legislative representation at the State Capitol, Agri-Growth is proactively engaging with legislators on issues and priorities important to our membership.

Agri-Growth has been primarily focused on water quality, new tax proposals, BPA ban, and GMO labeling, though we are also monitoring the minimum wage increase, ban on triclosan in food safety applications, AGRI fund, ban on nontherapeutic use of antibiotics in animal feed, establishment of a food council, and animal welfare regulations.

GROUNDWATER:
More efforts are underway to address the groundwater issues of our state. Governor Dayton has a funding proposal to increase water fees through the Department of Natural Resources (DNR). The plan changes the current fee structure and raises some of the fees on the more than 7,000 statewide water permit holders that each use more than 1 million gallons of water annually. The proposal was introduced in the Legislature on April 2 and the House Committee on Environment, Natural Resources, and Agriculture Finance reviewed the bill the same day.

According to the DNR, during the past 10 years their general fund budget for water management activities has decreased by 32 percent. In that same time, water appropriation permit applications have increased by 67 percent. The purpose of the proposed funding increase is to help the DNR collect more reliable information on groundwater supplies, then determine the demands on those supplies and address sustainability concerns with new and existing water permits.

The DNR further asserts that the funding would provide the means to ensure compliance with water permit requirements and would continue the development of an electronic permitting system to replace the current paper system for water users. The funding also would help advance groundwater management areas, which are intended for developing a plan for areas where there is heavy water use and conflicts.

In addition to the Governor's proposal, Rep. Wagenius has addressed the groundwater issue with the introduction of and hearings on her bill, HF 1100. This bill would modify the DNR’s water supply management and environmental assessment worksheet requirements. On March 12, the Environment and Natural Resources Policy Committee passed the bill with amendments that would:

- address proposed large water diversions to other states
- clarify Environmental Assessment Worksheets addressing groundwater impacts
- require preliminary approval from the DNR before proceeding with the Department of Health application/permit to drill a well

The pre-approval will be based on the comprehensive water sustainability of the aquifer (and current permit holders). On March 21, the House Environment, Natural Resources and Agriculture Finance Committee, chaired by the bill’s author, Rep. Wagenius, reviewed the bill. An amendment was proposed that would remove the authority to review permits for large water diversions that would send water out of the state.

TAXES:
Agri-Growth has been engaged on the development of the Governor’s tax proposal and achieved a successful outcome with the removal of the business-to-business (B2B) tax on services. Agri-Growth worked against that part of the proposal because of the severe impact on agriculture the tax would have inflicted. Services such as transportation, farm machinery repair labor, and crop and feed consultant services would have been included in the new tax provision.

BPA:
Another issue before the legislature that has caused concern for our membership is the ban on food packaging containing bisphenol A (BPA), a component of protective epoxy coatings used widely in metal food packaging, polycarbonate plastic food packaging, and other consumer products. The bills, HF 459 and SF 379, have passed out of their respective committees with amendments. The measures now only apply to “baby food,” “infant formula,” and “toddler food” as defined, which would include products for children age three and under.

In the House version, the word “primarily” was inserted before the phrase “intended for consumption by children under three years of age,” in the definition “toddler food” which provides some clarity. The House committee also included new language that attempts to restrict alternatives to BPA. It is anticipated that both houses will consider the measures in mid-April or early May.

Agri-Growth will continue to monitor these issues and provide status updates via email to our members. Reach out to us at 651.905.8900 if you have further questions or concerns. We will also be holding a Legislative Wrap Up on June 5th that will further outline the outcomes of these critical issues.

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well as political pressures of increased trade barriers, fluctuations in global economic and political realities, and changes in the value of our dollar. And this is not to mention the uncertainties and unpredictable nature of federal farm legislation. Nonetheless, the core fundamentals in the global demand for food offer a positive trend line for the food and agriculture industries over the next 40 years. To foster this growth, the U.S. agricultural sector will need the right mix of economic, trade, regulatory, conservation, and farm policies to ensure that this potential becomes reality. We also need to embrace more publicly funded and better targeted research to help us meet the challenges through innovation, especially given our natural resource constraints and environmental challenges.

And very significantly we will have to listen carefully to the demands of consumers in their desire for safe and nutritious food; the world of the future will be more consumer demand driven than ever before, and we ignore the demands and concerns of the consumer at our peril.

This is an amazing time to be involved in U.S. agriculture. If agriculture were a stock on the New York Stock Exchange, we would recommend a "strong buy" due to the fundamentals discussed above. In the 1960’s movie *The Graduate*, Dustin Hoffman was given career advice to go into “plastics”. Today we would give the unqualified advice to young people, urban and rural, to go into “food and agriculture.” That is where the future lies.

**Event Calendar: 2013**

**APRIL**
- 16: Agri-Growth Policy Luncheon

**MAY**
- 14: Agri-Growth Policy Luncheon

**JUNE**
- 5: Legislative Wrap Up
- 17: Annual Golf Tournament

Learn more and register to attend at agrigrowth.org/events.

**Annual AgPAC Golf Outing at Valley View Golf Club**

**SAVE THE DATE: JUNE 17, 2013**

The Minnesota Agri-Growth Council annually hosts the Minnesota AgPAC Golf Tournament in June. The outing is an opportunity for Agri-Growth members and other agriculture and food industry leaders to network, while raising funds for the Minnesota AgPAC, a political fund that benefits the state’s agriculture and food industry. Learn more and register your company foursome at agrigrowth.org/golf.

**WHEN:** June 17, 11:30 lunch and a shot-gun start at noon

**WHERE:** Valley View Golf Club, Belle Plaine, MN

**WHO:** Agri-Growth members as well as agriculture and food industry leaders

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