Agri-Growth Conference Showcases Opposing Opinions with Common Goal

By Lucas Sjostrom, Contributing Editor

Throughout the 2013 Minnesota Agri-Growth Council Annual Meeting and Speakers Conference attendees heard from both sides of debates on climate change, genetically modified organisms (GMOs), and Minnesota politics. But with the conference’s theme of “Leading with Integrity” in mind, all speakers marched toward the common goal of moving agriculture forward in Minnesota and worldwide. This year’s convention, held November 5 at the Minneapolis Convention Center, saw record registration of over 500 people.

The day began with an economic outlook from CoBank’s Terry Barr (see story on page 5). Shifting gears, Extension climatologist Mark Seeley dug into the data behind the climate change debate (page 5).

Also from the University of Minnesota, President Eric Kaler, spoke about the U’s focus on food through the MnDrive campaign, the potential for combining the College of Food, Agricultural, and Natural Resource Sciences (CFANS) with the College of Biological Sciences (CBS), and Golden Gopher Football.

Minnesota’s Commissioner of Agriculture, Dave Frederickson, provided the State of the State of Agriculture in Minnesota address. Then, the crowd interacted with Senator Amy Klobuchar through a live video feed. Commissioner Frederickson highlighted the progress of Minnesota’s strong agricultural economy, and noted the 2013 disaster of propane logistics follows years of diesel and nitrogen shortages. Klobuchar said he sees climate change as a long-term pattern rather than human-influenced weather. But his latest campaign is to change Greenpeace’s disdain for Golden Rice. The rice is a type of genetically modified organism with added beta carotene to supplement vitamin A to areas of the world that suffer blindness and death from deficiency.

In the afternoon, Patrick Moore, featured in our October newsletter, gave his take on sensible environmentalism, offered a different approach on climate change, and shared his thoughts on the future of “Golden Rice.” Moore helped found Greenpeace, but left the organization as it, in his opinion, moved away from the humanitarian element it was founded upon. He said he sees climate change as a long-term pattern rather than human-influenced weather. But his latest campaign is to change Greenpeace’s disdain for Golden Rice. The rice is a type of genetically modified organism with added beta carotene to supplement vitamin A to areas of the world that suffer blindness and death from deficiency.

The afternoon’s first panel discussion, “The Future of Biotechnology – Issues and Perspectives,” delved into the issue of GMO labeling. Read more about that panel on page 4.

But despite the divides, with a strong agricultural economy attendees were upbeat and willing to challenge the speakers. If you missed the meeting or want to look back at what you heard, visit agrigrowth.org/AM for videos and slide presentations.

ZEASKE AWARDED FOR DISTINGUISHED SERVICE

Perhaps no one in Minnesota is more responsible for connecting food with those who need it most than Rob Zeaske, CEO of Second Harvest Heartland, the Upper Midwest’s largest hunger relief organization. At the Annual Meeting, he was awarded the annual Distinguished Service Award, which the Minnesota Agri-Growth Council selects yearly to recognize those who contribute significantly to strengthening Minnesota’s food and agriculture industry.

“To do what we do, I think you’ve got to have a passion for this issue, and you’ve got to have a passion for people. One of the things that motivates me is the people we work with,” Zeaske said.

In accepting the award, Zeaske quickly credited the staff and agricultural patrons who make getting the food to those in need more efficient every day. In his acceptance video, which you can find at www.agrigrowth.org/DSA, Zeaske mentions that one of their latest frontiers is sourcing agricultural products. In the first year, Cargill brought in 600,000 pounds of corn. From there, the company continued to hear about other products that would have otherwise gone harvested, like potatoes and tomatoes. Through collaborative efforts, Second Harvest Heartland collected, warehoused, and distributed more than 76 million pounds of food. As a member of Feeding America, Second Harvest Heartland is part of a national network of more than 200 food banks in every U.S. State.

A big thanks goes out to Rob and his team at Second Harvest Heartland for all they contribute to the hunger relief in the Midwest!
The Scoular Company’s roots in agriculture began in 1892 when the company was founded by George Scoular. The company remained under the ownership of the Scoular family until 1967, when it was acquired by a group of grain industry executives led by Marshall Faith, Scoular’s current Vice Chairman of the Board. Throughout its history, Scoular has derived its revenues from a portfolio of merchandising and facility-based businesses with a wide array of customers, products, and geographies.

Today the 120-year old company has more than $6 billion in sales and operates 90 independent business units that provide diverse supply chain solutions for end-users and suppliers of grain, feed ingredients, and food ingredients around the globe. From more than 70 offices and facilities in North and South America, their 700+ employees are engaged in the business of buying, selling, storing, and handling grain and ingredients, as well as managing transportation and logistics worldwide. Ninety of their 700+ employees work in the Minneapolis office, including most of the employees of their international businesses.

Q & A with Bob Ludington, Chief Operating Officer:
What is new at The Scoular Company?

In the past couple of years, we’ve committed a significant amount of resources to expand our container-loading business, which is led by managers in our Minneapolis office. In the early 2000s, we started shipping grain in intermodal containers to Asia. At that time, we realized that steamship lines were bringing manufactured goods into the U.S. from Asia and then hauling thousands of empty containers back. We looked at that as an opportunity to load those containers with commodities, bringing right-sized quantities of quality feed and food ingredients to Asian customers, and simultaneously, giving steamship lines a backhaul.

Over the years, our customer base has grown as has their demand for commodities shipped via container. To meet our customers’ needs, in the past year we’ve expanded our container operations in a number of ways. In July we extended our existing presence in Virginia by acquiring an established grain company and leasing another nearby facility. Both of these facilities are loading containers headed for Asia. Additionally, we’re in the process of building a container-loading facility at the Port of Charleston in South Carolina. We also are establishing ourselves in South America, opening companies in Argentina, Uruguay, and Brazil to ensure that we have access to a continuous supply of grain and oilseeds throughout the year. All of these new-to-Scoular geographies complement our existing container-loading sites in Chicago, IL; Ontario, CA; and Omaha, NE.

Another exciting project in the works is the construction of a grain-handling facility in Northgate, Saskatchewan. We broke ground on the project in June of this year, and when complete in 2014, the facility will be part of a global transportation hub being developed by Ceres Global Ag. The Northgate facility will give high quality Canadian wheat direct line access to U.S. and Mexican flour mills and will open extensive new markets for Canadian canola. The Northgate hub will serve to shrink the distance between Canadian supply and global demand, expanding the marketing options for area producers.

What are the key trends affecting your industry?

A growing world population – including a growing population with money to buy more animal protein – means that food production must increase. In particular, growth of Asian demand led by China has driven demand for North American grains and oilseeds for use in livestock feed. Along with that growing demand is the need to ensure efficiency in the supply chain, from the farmer to the overseas customer. That’s Scoular’s area of expertise.

A second trend is agriculture’s role in energy. In 2007, the RFS2 (Renewable Fuels Standard) program increased the volume of renewable fuel required to be blended into transportation fuel from 9 billion gallons in 2008 to 36 billion gallons by 2022. Scoular plays two distinct roles in the renewable fuels market: we are a service provider of risk management, grain origination, logistics and transportation, and distillers grain marketing; and we are an investor in plants strategic to our businesses.

The Minnesota Agri-Growth Council is an advocate for the state’s food and agriculture industry. Founded in 1968, the Council is a nonprofit, nonpartisan organization that represents the shared interests of its 200-plus members, which include food and agriculture businesses, organizations and producers, as well as the service industries that support them.
Seeley Insists Continued Adaptation

“Do you have your snow tires on yet?” asked Mark Seeley, a University of Minnesota Extension Climatologist and Meteorologist with nearly 40 years of experience. He wasn’t joking about the snow, as much of the state got a dusting of the white stuff during the evening of the November 5th meeting.

Seeley introduced the crowd to Minnesota’s historical weather data, much of which he has been in charge of collecting and deciphering. “We are blessed in Minnesota to have a very rich weather history, including documents that date back to 1807,” Seeley said.

Seeley noted that his own hiring was due to a set of events stemming from the drought of 1976 that eventually led to a new climatology position on the University of Minnesota’s St. Paul Campus. Since then, he’s seen a major weather event nearly every year, including some that cost the state over $1 billion in damage. One of those major events was the record-setting floods of 1993, which birthed the Extension Disaster Education Network (EDEN). EDEN provides education through research-based education to better respond, better plan, and better recover from these types of weather events.

Seeley showed that the statewide average temperature recorded over the past three decades is rapidly trending upward. And, more often, we’re hitting temperatures above the 90th percentile of this data. 2012, for example, was our warmest year and the warmest for the 48 contiguous states. March of 2012 is the single largest climate anomaly of our state’s history, for example.

“Our winters are changing more than our other seasons,” Seeley continued. “And the amplitude of the change is greater in winter than in the other seasons of the year. This is true not just for Minnesota, but also for most of our neighboring states.”

Looking over a series of three decades, Seeley showed that the average minimum temperatures in January, February, and March, in Rochester, MN, are changing by temperatures in January, February, and March, in Rochester, MN, are changing by

Looking for a silver lining, Seeley noted that the residues left in fields due to minimum tillage or conservation practices are breaking down faster. Due to the practice of waiting for temperatures of 50°F or less for fall applications of nitrogen, application dates are getting later as well.

The weather has an effect on biology, too, “We are now migrating away from the classic winters that gave us the name ‘The American Siberia.’ We used to have severe enough winters that would inflict high mortality on our neighbors,” Seeley said. “In fact, forecasted by the Extension climatologist in charge of your state’s database for 36 years, I’m telling you our winters are changing more than our other seasons.”

Consequences of Changes in Precipitation Quantity and Character

- Altered irrigation, tile drainage, runoff, sediment, and shoreline management
- Change in storm sewer runoff design
- Mitigation of soil erosion
- Mitigation of flooding potential
- Impact on insurance risk and claims

In terms of precipitation, looking at the 30-year periods from 1891 to 2010, we’ve moved from a small portion of Minnesota’s east side receiving 29 inches of rain per year, to almost over half the state receiving 29 inches or more. Waseca has increased precipitation 30 percent, from averaging 27 inches from 1921 to 1950, to 36 inches in 1981 to 2010.

With all the other changes come extreme weather events, including more floods, droughts, and tornadoes. Tornadoes are now being seen in places they’ve never existed before.

“Let’s not dismiss this, please,” Seeley asked of the crowd. “The data are telling us things are changing. We’re seeing consequences. We need to continue to adapt.”

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Biotech Panel Takes Hard Look at Labeling

Despite diversity on stage, consensus was found among biotechnology experts during an afternoon panel looking into the future of biotech. Panelists included:

- **Dr. Ruth MacDonald**, a Professor of Food Science and Human Nutrition at Iowa State University
- **Mike Yost**, Farmer and Owner of Yost Farm, Inc.
- **Chuck Lee**, Syngenta’s Head of Corn for North America
- **Kate Leavitt**, SunOpta Grains & Foods Group’s Head of International Sales and Marketing
- **Louis Finkel**, Grocery Manufacturers Association’s Executive Vice President of Government Affairs

The panel was moderated by Minnesota Public Radio’s Midmorning host Kerri Miller. She started the conversation noting that 90 percent of the soybeans and 75 percent of the corn grown is GMO.

“But the disconnect is where public opinion is,” Miller noted. “Even as the push for GMO labeling is picking up some steam, and a recent New York Times poll shows that 90 percent support labeling, many Americans don’t understand the science behind GMOs, and what would the labeling really be revealing to them."

SCARED OUT OF THE MARKET

“The headline ‘GMO – OMG’ is what people think,” agreed MacDonald. “They don’t understand the terminology as it sounds very scary. It has to do with ‘genetics,’ which leads to reproduction and your children’s health. Modified, whether you use it or ‘engineering,’ also sounds very scientific and technology driven. When you throw ‘organism’ onto the end of it, an organism is what grows and eats through your brain. We don’t know what that means! But if you talk to a consumer one-on-one and explain that we’ve been messing with genes since the beginning of agriculture, then they start to put that in perspective.”

Yost noted that, as a farmer, he’s only trying to provide a service consumers want – a safe, affordable, nutritious product in a sustainable fashion. “The way the discussion has been framed when Roundup Ready soybeans and BT corn were introduced, it was ‘Frankenfood,’ and we haven’t been able to shake that in over 20 years,” Yost said.

“The conversation so far has been exclusively one-sided so far,” noted Finkel, “With our side doing not a good enough job in having that conversation.” Finkel’s group saw the products and ingredients as indistinguishable from the non-GMO products they offered.

“With no safety issue in our minds, there was nothing to communicate until the activist community decided to embrace a web of lies and deceit to bring forward that there is something consumers need to worry about.”

Leavitt, whose company sources, processes and packages non-GMO and certified organic products internationally, noted that other countries do have mandatory labeling. “Does that mean that consumer was any more informed? I think it’s very debatable.” But Leavitt advocates for a federally regulated, non-required label, that companies can use to communicate with consumers. This could be similar to the USDA organic label, she suggests, so that a claim like GMO-free would have some backing consumers could trust.

We have a very, very hungry world to feed out there. And biotechnology is a big component to that. If we stop biotechnology on irrational fears, what is the next technology that we stop? And how many people are going to be destitute and starved to death in the process? That is the bigger question here, that is the humanitarian question here.

-Mike Yost, Yost Farm

“I’ve been able to see the pre-GM era through the GM-era,” said Lee, whose company is the third-largest seed firm worldwide, “and been able to see the effect on farm communities, yield, and pricing. At Syngenta we certainly support GM. We produce a lot of GM traits, but we also produce non-GM products. So farmers have choice, which gives consumer a choice.”

ARE CONSUMERS ASKING FOR LABELS?

Miller noted that the consumer seemed to be driving some of this, but Finkel noted that, “The New York Times runs an unaided poll that asks, ‘Do you believe that products with genetically engineered ingredients should be labeled?’ If you don’t know what a genetically engineered ingredient is, it makes it very hard for you to give a thoughtful answer.”

“Most everyday consumers aren’t worried about this,” Finkel continued. “They’re worried about trans-fats, or sugar, or making sure they can make thoughtful, affordable, nutritious choices.”

“There is a groundswell of request for this,” Leavitt countered, noting that the group she hears from is asking for different things than the consumer population as a whole. “If you have voluntary labeling of GMO, what does that really mean and is that going to be meaningful to the customer?”

Finkel also suggested that labeling is some activist group’s strategy as a first step to eliminate the technology. Yost compared the strategy to that used in rBST labeling in the milk industry, where a market was created through labeling for farms not using the technology.

“The right to know is the right to sue,” Lee insisted.

MacDonald offered that it was interesting how people have no problem with technology outside of food. Finkel agreed, saying, “There is something sacred about food.”

MacDonald noted that, in reading historical articles, this isn’t the first food-related technology to come under fire. “Even with the introduction of iron plows, I found articles suggesting this new technology would destroy fields and poison people.”

“Much of this is trade protectionism,” suggested Yost, who previously served as head of the USDA’s Foreign Agricultural Service.

SPEAKING THEIR LANGUAGE

Responding to a question about the consumers’ trust of technology, Yost responded, “Science is on the side of biotechnology, otherwise it wouldn’t have gotten as far as it has. There has been thousands and thousands of tests on these products. But really what you’re talking about here is a bit of precautionary principle as you’re trying to prove a negative, and that’s almost impossible to do.”

To the same question, Lee responded, “We try to continue to convince the public about the science, but it’s more of an emotional decision. I think agriculture needs to be a lot more engaged on that emotional side; I don’t think we’ve been here as well as we could be.”
Barr Predicts Policy Changes, Continued Growth Through 2015

To set the day’s direction, Terry Barr, Senior Director of Knowledge Exchange at CoBank looked forward to what the next five years of agriculture might look like. Barr previously worked as Chief Economist for the National Council of Farmer Cooperatives, Chair of the World Agricultural Outlook Board, and Director of Economic Analysis for the United States Department of Agriculture’s Office of the Secretary.

“The first thing to remember is that we’ve been through a pretty dramatic 10-year period,” Barr began his presentation. Barr classifies years 2004-2008 as a time when the rising middle class, particularly in Asia, was the major driver for demand of agricultural products. During that time, worldwide growth averaged 4.5 percent per year.

“It was also a period of very stimulating fiscal and monetary policy. You’ll remember [Federal Reserve Chairman] Greenspan characterized this as a period of irrational exuberance,” Barr continued.

During the time period, Barr reminded attendees, we were building up the housing boom, had strong agricultural commodity prices, and also a time of growth for biofuels. That combination of a strong global marketplace and biofuel use growing 5-fold was very good for agriculture, Barr explained.

But 2008-2013 could be described as “economic turmoil,” according to Barr, consisting of a financial crisis, massive liquidity, biofuels growth slowing, low stocks-to-use ratios of crops, and stress for livestock and dairy.

“If you had to be in a sector of the U.S. economy over the last five years, agriculture was the sector that you wanted to be in,” Barr insisted. “But going forward, I think we’re seeing a major policy transition across the globe. We’re going to go through a period where we’re not going to see fiscal deficits growing. We’ve had that for 10 years now, but we’re going to go the other way. We’re going to see fiscal contraction and monetary contraction.”

Barr noted that the world economy will be driven by the emerging countries, not the advanced economies, until those advanced countries figure out their fiscal policies. “My expectation is that the next five years are probably going to look a lot like the years we’ve been through recently,” Barr suggested.

GOING AT THE SAME SPEED

While Barr admitted he couldn’t predict when interest rates would rise, he does believe we are heading into a period over the next five years of rising, not falling, interest rates. That change will slow growth, meaning worldwide implications for emerging economies and fast-growing places like China, Barr said. But he also noted that he thinks the U.S. consumer has gained a lot of ground since the turmoil of 2008. For example, August housing prices were 13 percent above a year ago, although that is still 20 percent below the peak.

But, there is always uncertainty looking ahead, especially with U.S. policy inaction in so many different topics that touch so many sectors of our economy. Barr says companies are unable to adjust their risk appropriately.

One of the biggest unknowns in U.S. policy is the budget debate. Barr doubts that debate could end this year with many long-term budget challenges remaining. With this uncertainty, Barr expects the Federal Reserve to promote growth and employment into 2014 or 2015, but the timing of the policy tapering off is simply unknown.

“The U.S. simply can’t build any economic momentum,” explained Barr. Showing a graph of the deficit estimates moving forward from the Congressional Budget Office, assuming today’s sequestration policy and tax policies continue, Barr noted, “The budget deficit does indeed get better for the next few years or so. But then the baby boomers begin retiring in earnest, and you can see the deficit begin to grow again, fairly rapidly.”

One comforting thought about the uncertainty is that the U.S. isn’t alone. Barr explained that the European Union, Japan and China also have their own major issues to work out. But a weakening trend is predicted for the emerging agricultural economies like Brazil, Russia, and India. “Their best growth rates are probably behind them, as capital flows go into other directions,” Barr explained.

“One should remember that an awful lot of the gain we saw in agricultural commodity prices was a function of a declining dollar. From 2002 to 2011, the U.S. dollar fell by 40 percent,” explained Barr. “That’s a significant movement in currency at this point in time.”

THE BOTTOM LINE

“When you look at the commodity side of U.S. agriculture today, you see that grain inventories are beginning to build,” Barr said. “Another big harvest will allow us to find out where the new ‘normal’ is in terms of commodity prices. But this season’s harvest, even with a good crop in South America, is not going to remove all the volatility from the market.”

Agriculture will be in a transition of moving from tight supplies to building stocks of different commodities. Barr also expects more global competition.

While exports are strong in the U.S., there will be challenges ahead. While American outputs of non-coarse grain have grown 20 percent since 2007, coarse grains have suffered with only 5 percent growth.

Continued on page 6

DID YOU MISS THE CONFERENCE?

If you missed the Agri-Growth Conference or just want to see the speakers again, check out the Agri-Growth website at agrigrowth.org.Ari. Videos of the speakers, presentation slides, and photos of the day are available on the website. Don’t miss next year’s event, mark November 6, 2014 on your calendar now!
This lack of consistent growth allowed other countries to pick up our market share.

Corn has been aided by recovery in feed use and exports, while soybeans have a record world crop pushing their stocks-to-use ratio to near all-time highs. Meanwhile, the nation’s beef herd continues to shrink, impacting the export ability to only 9 percent. But for broilers, pork, and dairy, exports make up 20, 22, and 16 percent of the domestic U.S. market. Dairy specifically has seen growth as the world markets surge.

Barr expects consolidation, both vertically and horizontally, to accelerate. He sees new tax laws, including rules on depreciation, 1031-like exchanges, accounting and estate taxes.

“We may be looking at a big enough change in the tax code that the optimal business structure you currently have is not optimal for the next environment,” Barr warned.

On the horizon, Barr sees continuing volatility, with new risk management strategies required. Precision agriculture will move to a data mining industry to limit costs. But as grain flow shifts to feed and export channels, Barr suspects new niche markets and storage options will emerge.

What’s your banker going to ask for? “He’s going to continue to look for a strong balance sheet with significant working capital and strong risk management policies,” Barr said. “I think there are a lot of opportunities for agriculture, and a lot of risk that we haven’t paid attention to in the past. Look for realignment in policies and realignment in the marketplaces in the next three to five years. And now is the time to think about it, because of the interest rate environment and liquidity, we are going to see a lot of changes in agriculture over the next five years.”