Minnesota Animal Agriculture Generates Nearly $8 Billion in Direct Economic Value

Animal agriculture doesn’t have a brand or corporate headquarters, so many citizens may not realize how important it is to Minnesota’s economy. A new benchmark report produced by the Minnesota Agri-Growth Council and the University of Minnesota quantifies the direct economic contribution of animal agriculture and related processing in the state.

The Minnesota Livestock Industry Benchmark Report released in July found that Minnesota animal agriculture provides nearly $8 billion in total direct economic value and supports nearly 35,000 jobs in direct employment, as well as many thousands more in indirect employment. The economic impact has increased $2.7 billion since 2002.

“The most recent analysis of the state’s animal agriculture sector shows that the industry continues to create value by serving as an economic engine for the state,” said Daryn McBeth, executive director of the Minnesota Agri-Growth Council. “Animal agriculture employs thousands of Minnesotans, in rural communities in particular, and contributes billions in revenue annually. There is no question that the strength of this industry is vital to Minnesota’s economic health.”

The study’s author, University of Minnesota Ag Economist Dr. Brian Buhr, agrees, “The key message is that livestock doesn’t stand alone; it adds significant value up and down the value chain. It’s a critical lynchpin in the state’s diverse economy.”

Animal agriculture adds value to Minnesota crops, livestock processing, ethanol production and feed manufacturing as well as employment. According to the report, the direct economic activity generated by each animal is: $7,064 per dairy cow, $4,191 per sow, $3,510 per beef cow, $17.46 per turkey, and $2.46 per broiler. (Learn more and see the full report at agrigrowth.org/pdf/FullLivestockReport2012.pdf.)

ANIMALS ARE ENGINES OF GROWTH IN MINNESOTA

Each animal in the livestock industry directly stimulates a significant amount of economic activity.

*Approximately 44 million each of turkeys and broilers are raised each year in Minnesota.

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GROWTH IN A DIFFICULT ECONOMY

The industry has been a strong economic contributor in an otherwise lagging economy. “The animal ag sector is in a growth pattern and has provided a source of stability, tax income, jobs, and safe food in a tough economy,” says McBeth. “We commissioned the report to provide a clear understanding of the economic impact of Minnesota’s animal agriculture to state and industry leaders so they can develop policies and practices that ensure the long-term vitality of this critically important sector of the state’s economy.”

Minnesota’s diverse economy makes it vibrant and has helped it fare better in this recessionary period, according to Buhr. “If we want economic growth and employment growth, we have to define our comparative advantages so we can create climates that are sustaining to various industries – whether it’s Medtronic, 3M, forestry or livestock,” he says.

NATURAL COMPETITIVE ADVANTAGE

Our state is well suited for livestock production because of its abundant and productive cropland and its unique concentration of leading food companies. Livestock and feed crops are grown on over 80,000 Minnesotan family farms of varying sizes. Every third row of corn and every fourth row of soybeans grown in the state is used for feed for Minnesota livestock, adding $2.6 billion to the value of Minnesota crops.

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- Livestock Sectors Grew Since 2002
- Direct vs. Indirect Economic Impacts
In the 1950s, a group of northern Minnesota farmers and entrepreneurs envisioned a dual goal of developing an economic crop for hard to cultivate low-lying areas and making the nutritious wild rice grain more widely available. Coupling strong determination with the technology and knowledge of plant science of their time, these pioneers created a way to produce wild rice (Zizania palustris L.) as a commercial crop. Their efforts resulted in one of the most recently domesticated crops – cultivated wild rice. Needing to organize their efforts for further development of this new crop, the growers voted to form the Minnesota Paddy Wild Rice Research & Promotion Council in 1974. The Council was funded through a checkoff on finished wild rice. The Council focused on communication, securing funding for research, and promotion. In 1977, Governor Rudy Perpich signed a bill designating wild rice as the Minnesota state grain. In 1992, the Council became known as the Minnesota Cultivated Wild Rice Council.

The Council’s mission is to promote the cultivated wild rice industry through leadership, research, promotion, and education. The Council addresses the research needs of the wild rice industry, acts as the driving force in working on regulatory and legislative affairs necessary for the enhancement of wild rice production, increases awareness of cultivated wild rice products to consumers, and communicates with cultivated wild rice producers and allied industry on a regular basis as the premiere source of information for our industry.

Q & A with Beth Nelson, President:

How is your organization funded?
The Minnesota Cultivated Wild Rice Council is funded through a grower checkoff based on pounds of finished wild rice.

What is new with the Wild Rice Council?
Since there is no seed industry in cultivated wild rice, the Council is actively engaged in ensuring an adequate seed supply through our Quality Assurance Seed Standards program. Research focusing on the development of improved varieties through our traditional plant-breeding program with the University of Minnesota is key to the success of this endeavor.

In the area of promotion, we are currently in the middle of our 2012 wild rice recipe contest. Winning recipes will be featured in a new brochure debuted at the State Fair. Anyone interested in entering their favorite wild rice creation, is encouraged to visit our website for contest details (www.mnwildrice.org).

We’re also in the middle of a literature review that we’ll be using as the basis for an eventual media tour. Media tours are valuable in that they give food writers not only a primer on the nutritional profile, flavor, and versatility of cultivated wild rice, but also a unique perspective on the process of bringing wild rice from the field to the plate.

What are the key issues or trends affecting your industry?
The economic downturn of the last few years, both in the U.S. and abroad, has played a significant role in the cultivated wild rice industry. Since wild rice is perceived as an upscale food item, sales of wild rice slow during periods of economic uncertainty. We are pleased to report that sales are returning to normal and growers no longer need to curb their production.

As is the case with most research and promotion councils, research funding continues to be a priority for us. With tight budgets and cutbacks at land grant universities, it’s more difficult to maintain funding for the research the growers deem as a priority. We will continue to be an advocate for our growers in this area.
The first Benchmark Report, completed in 2003, showed livestock, particularly dairy, declining in the state and moving to other states. The new analysis shows that trend has stopped and there is migration back to the Midwest region to better address high feed costs and sustainability issues. “Minnesota has an inherent natural competitive advantage for livestock production because of its productive non-irrigated cropland and the availability of land for utilization of manure nutrients,” says Buhr. “In addition, we have a strong infrastructure of roads and processing plants.”

INCREASED COSTS IMPACT VALUE

A significant change since the 2003 report has been the overall increases in grain and energy prices, which are driving increases in the value of animals, but not necessarily increases in production. Therefore, interpreting an increase in the dollar value of an animal or herd can mask the reality of lower production levels, which drive up meat prices and can negatively affect consumers’ purchasing behavior. High feed costs as well as low demand due to slow global economic growth have also reduced profitability for livestock producers.

The use of traditional animal feed sources (corn) for energy/biofuels has affected industry cost structures and added volatility. The use of dried distillers grains with solubles (DDGS) as a feed source has provided both opportunities and challenges for the industry.

PRODUCTIVITY & EFFICIENCY GAINS

Competing demands for resources will continue driving the industry making production efficiency paramount for both profitability and sustainability. The study highlights remarkable increases in livestock productivity. In less than 20 years, the amount of pork produced per sow has doubled and milk production per cow has increased 27 percent.

“The overall productivity gains in livestock are a really important part of the story,” says Buhr. “We’re living in a world with increased demands for feed grains, water, energy and all resources. If livestock is to be a key part of the economy, it will need to be very productive and very efficient using resources. That’s what will make those products affordable,” says Buhr. “All industries need to look at how to be sustainable, fortunately I see those sensibilities evident in today’s agriculture.”

EMPLOYMENT

The animal agriculture industry directly employs nearly 35,000 Minnesotans—that’s more than any single manufacturer, retailer or financial institution in the state. It directly employs people on-farm, as input suppliers and in feed manufacturing, soybean, meat, and dairy processing. Indirectly, it employs thousands more, in roles such as large animal veterinarians, truckers, lending officers and food retailers. In rural communities in particular, the livestock industry offers high quality and professional technical jobs in the areas of animal nutrition, business, health, and research and development.

WORLD DEMAND

Compared to other states, Minnesota is an animal agriculture leader and has opportunities to expand production and surpass its competitors in some sectors. The state’s livestock industry is competing on a global scale to serve a global market. Consumption and income growth in developing countries is fueling further opportunities for Minnesota’s animal agriculture sector to increase its production scale and value. Minnesota’s production trends in terms of world consumption are already positive for dairy, pork, and poultry.

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www.agrigrowth.org
Report Highlights: Most Livestock Sectors Grew Since 2002

Pork and turkey production continue to be the most vibrant sectors of Minnesota animal agriculture. Minnesota is increasing its national market share in pork production and it continues to outpace competitors in turkey production.

- **Minnesota is poised to become the number two producer of pork in the country.** Pork production has experienced the greatest growth in economic impact—nearly double 2002 numbers—at $2.35 billion.

- **Minnesota is the number one producer of turkeys in the United States.** The economic impact from turkey production is up to $807 million, a significant climb from $507 million in 2002.

- **Productivity on Minnesota’s dairy farms has improved, and economic activity related to production has stabilized even as the inventory of dairy cows has decreased.** Economic impact from dairy production—excluding any dairy used in the manufacturing process—has grown by more than $27 million since 2002 to $3.27 billion. Dairy contributes 14,840 Minnesota jobs in farming, processing and feed manufacturing, the most of any sector.

- **For the first time, economic impact from beef now tops $1 billion.** Minnesota has moved up the ranks since 2003, now ranked number 9 in cattle on feed and number 25 in beef cow inventories. However, cattle inventories continue to decrease here and across the U.S.

- **Minnesota ranks number seven in the country in egg production.** Two of the top egg companies are headquartered in Minnesota, but production has dropped 5.5 percent since 2002. At the same time Iowa, the national leader, has expanded production by 40 percent since 2002.

**Direct vs. Indirect Economic Impacts:**

Like the 2003 report, this year’s Livestock Industry Benchmark Report analyzes direct economic impacts. It does not take into account indirect and induced economic impacts, which can be significant in a core industry like agriculture.

Data from the Minnesota Department of Agriculture (MDA) indicates that livestock production has a local “multiplier effect” of nearly $2 for every dollar of farm output. In other words, every dollar created with livestock creates another local dollar in processing, transportation, trade, service and construction. A 2009 MDA Minnesota Livestock Industry Report estimated the total (direct, indirect and induced) economic impact of animal agriculture in Minnesota at $11.6 billion and total employment impact at 104,452 jobs. This was based on $6.1 billion in direct output and 65,434 in direct jobs. By comparison, the new analysis shows $8 billion in direct economic impact and 35,000 direct jobs.

“The direct impacts in our study are verifiable and only include jobs that would not exist if you didn’t have livestock production,” says University of Minnesota ag economist Brian Buhr. “There are additional jobs and economic activity that are somewhat impacted by livestock production levels that we did not count.”

Agri-Growth’s Daryn McBeth adds, “Our goal wasn’t to arrive at the biggest number. We wanted it to be a solid defensible foundation number for direct impacts. We're happy for others in the industry to expand upon that.”