AgriGrowth’s 48th Annual Meeting & Conference was held on November 12, 2015 at the Minneapolis Convention Center. More than 500 attendees joined, including leaders from across the spectrum of Minnesota’s diverse food and agricultural sector as well as from academia, state and federal government and more.

MORNING PROGRAM
A member favorite, Dr. Michael Swanson, Wells Fargo Senior Vice President, kicked off the conference with a presentation on agriculture’s economic outlook. To drive his point home, Dr. Swanson used a famous Mike Tyson quote: “Everyone has a plan until they get punched in the mouth.” Dr. Swanson suggested the ag and food sector does more strategic thinking as business operators to prepare for the inevitable punches.

Following Swanson, geopolitical strategist Peter Zeihan described the worldwide economic outlook for agriculture, briefing the audience on trade, production and foreign policy and behavior. Zeihan largely bases America’s prosperity on “accidental” factors of the United States’ terrain (navegable rivers and rich farmland), resources (abundant shale gas and oil), demography (a relatively young, vigorous population), location (oceans that guard against invasion), and economics (vast consumer markets and cheap capital). The morning program ended with U.S. Representative Tom Emmer highlighting the state’s competitive advantages. “Trade is what this state is all about,” said Congressman Emmer.

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DISTINGUISHED SERVICE AWARD

Dr. Marla Spivak is changing how the world thinks about bees, developing practical applications to protect honeybee populations from decimation by disease while making fundamental contributions to our understanding of bee biology. Bees are essential to healthy ecosystems and to agriculture as pollinators of a third of the United States’ food supply. Working with partners including General Mills, Spivak’s research focuses on genetically influenced behaviors that confer disease resistance to entire colonies through the social interactions of thousands of workers.

Dr. Spivak has been affiliated with the University of Minnesota since 1993, where she is currently Distinguished McKnight Professor in the Department of Entomology. She was also a 2010 MacArthur Fellow.

AgriGrowth awards a Distinguished Service Award each year at its annual meeting to individuals or teams who have made significant contributions to Minnesota’s food and agriculture industry.

Past recipients include Rob Zeaske, of Second Harvest Heartland, former Minnesota Agriculture Commissioner Gene Hugoson, Don Helgeson of Gold’n Plump Poultry and Paul DeBriyn of AgStar.
The Minnesota AgriGrowth Council is the only organization in Minnesota whose diverse membership and public policy work is solely devoted to ensuring a progressive environment for developing and sustaining the agriculture and food sector. Members have a point of contact for sharing their story and informing policymakers about the issues impacting their business and the business climate. AgriGrowth works to know and understand our members’ stories which strengthen our position as we work to inform consumers, policymakers and the general public about the value of Minnesota’s agriculture and food systems industry to our state’s economy. Members have a trusted go-to-source for exclusive and timely industry information.

Members gain access to unparalleled opportunities for networking, relationship building and collaboration with leaders from across the food, agricultural and food systems industry in Minnesota and beyond.
Wells Fargo Senior Vice President Dr. Michael Swanson started off the 2015 Annual Meeting and Conference with a presentation on agriculture’s economic outlook across the globe.

Swanson noted that in 2015, farmers and ranchers spent $377 billion on inputs and other production expenses to net $58 billion in income. Said another way, compared to 2006, farmers and ranchers spent an extra $160 billion in spending to net about the same amount of income.

He said that this speaks to the risk and reward aspects of the commodity business. The agricultural sector is risking ever greater amounts of money on inputs and other expenses to produce approximately the same amount of income. Quantitatively and qualitatively, producers know that this represents a poorer, risk-adjusted return.

Swanson highlighted another important difference between 2006’s and 2015’s net income number. Today’s gross revenue offers a lot more opportunity than it did in 2006, and the 2006 gross revenue was $274 billion versus the 2015 gross revenue of $435 billion. This top line growth is down from its peak in
2013 of $472 billion, but it still shows volume and pricing that can support significant economic activity. Big profits need to start with even bigger revenues, Swanson said. After that, a cost structure that allows those bigger revenues to flow through to the bottom line is required.

**RISING INCOMES, RISING POPULATIONS**

Rising global incomes helps support a growing global population, which ultimately results in a spike in food consumption and therefore higher prices for crops and livestock, Swanson said. This phenomenon won’t happen just in the dominating trade countries -- you can’t have high prices in the United States without having high prices in Brazil.

**HIGHER INTEREST RATES AND A STRONGER DOLLAR**

Swanson said though we can project the reversal of the long-term interest rate cycle, the timing is impossible to know. “It’s easy to see where things are going – it’s impossible to know when they get there,” Dr. Swanson said quoting Warren Buffett.

As interest rates begin a slow and steady incline, the U.S. dollar is going to strengthen. “This is a multi-year slog we’re looking at,” Swanson said. “Asset valuations will come down as interest rates go up and we need to anticipate this.” These interest rates have a big impact on ag trade, but they vary by country and by commodity.

**TOUGH MARKETS ARE OPPORTUNITIES**

Investment stories are changing as the narrative moves from tough markets to opportunities. “We don’t finance industries, we finance people,” Dr. Swanson said, and that’s a key point to remember when markets are tough. As the buyer market starts to slowly develop it’s important to recognize who and what is being financed.

Fielding a question from the crowd about consolidation within the supply chain, Dr. Swanson said there is a lot of consolidation at the farm and ranch level that is driven by technology. Once you have technology in place you need to operate over as much acreage as you can. This led him to touch on mergers and acquisitions and the point that consolidation in the supply chain often doesn't improve quality -- “How in the hell does this make beer taste better? It’s a $108 billion M&A.”

Dr. Swanson projects that our dollar will strengthen for several more years before it weakens. As long as the food and ag industry anticipates forthcoming changes and begins to spend more time strategically planning, the economic outlook is bright.
Geopolitical strategist Peter Zeihan has lived in the world of international affairs throughout his career. With a mix of insight and irreverence, Zeihan addressed a wide array of political, economic, demographic and military issues in his presentation at the 2015 Annual Meeting and Conference. Zeihan’s first independent book — The Accidental Superpower — was published in November 2014 and copies available at the Annual Meeting quickly sold out.

**WARS IMPACTING FOOD PRODUCTION AND TRANSPORT**

Zeihan took a moment to paint a picture in the minds of attendees about the wars that have impacted food production and transport. He explained that historically, countries tried to avoid trading with other countries. They would keep their production and consumption in-house and wouldn’t interact. It was these systems and competitions that Zeihan said eventually culminated into World War II.

At the end of World War II the U.S. decided to use its Navy to guarantee shipments from anywhere to anyone, opening markets and allowing countries to export to the U.S. in exchange for the ability to fight the Cold War our way. Zeihan said this policy worked strongly in the US’s favor: we had a 10-1 power differential for seven decades, but we never used that power to benefit ourselves.

Of the European wars, Zeihan listed 102 wars that impacted food production and transport, including the French Revolution of 1848, the Crimean War and the Italo-Turkish War. And the list of North American wars that impacted food production and transport? Just two: the War of 1812 and the American Civil War.

**THE SURPRISING MARKET FOR AGRICULTURE**

**ACCORDING TO ZEIHAN, MEXICO WILL BE THE NUMBER ONE GROWTH MARKET FOR U.S. AGRICULTURE AND THE WORLD’S FASTEST GROWING ECONOMY FOR THE NEXT 50 YEARS.**

It has plenty of irrigated crop agriculture but hardly any navigable rivers. He said Mexico should fail because of its poor land, but it is in fact thriving because of its proximity to the United States.

Mexico is currently the world’s 12th largest economy and it has a positive demography compared to the off-kilter demographics of other countries. India is bloating with a young population and an increasingly small retired population right now, while Russia and China will see a dip in the Millennial generation, followed by a higher number of pre-retirees.

**OUTLOOK IS GOOD**

Zeihan predicts that in 15 years the United States will evolve from being the largest consumer and financial power to being the only consumer and financial power. What’s more, Zeihan believes we are about two years away from North American oil independence. He believes it’s looking like the U.S. is about to reclaim its mighty position as The Food Provider.

“If you’re going to take anything from this presentation it’s that you are going to be fine,” Zeihan said. “We can’t mess this up.”
Remarks by Congressman Tom Emmer and Lieutenant Governor of Minnesota Tina Smith

Two leading Minnesota elected officials joined attendees at the AgriGrowth Annual Meeting and Conference – U.S. Congressman Tom Emmer and Lt. Governor Tina Smith.

Congressman Emmer said food and agriculture is one of the primary economic drivers of the state. He discussed his work on trade issues, including Cuba and TPP. “It’s time to lift the embargo to let our great businesses do business with Cuba,” he remarked.

Lt. Governor Smith praised the state of Minnesota’s unique capacity for invention. Pillsbury’s A-Mill was the largest flour mill in the world for 40 years; we invented the first airplane autopilot; we performed the first open heart surgery and created pacemakers; and our agriculture innovations feed the entire world.

The ag and food sector is the second biggest employer in the state and Minnesota ranks 4th in the nation for ag exports. “You are the key to Minnesota’s economy,” Lt. Governor Smith said.

Christine Fruechte on Agriculture, Millennials and Sustainability

CEO of Colle+McVoy Christine Fruechte said that half of her 240-person agency are from the Millennial generation. This group, also called Generation Y, consists of individuals born between 1980 and 2000. Currently, Millennials make up half of the workforce in the U.S. This percentage is projected to go up 25 points over the next 10 years, meaning that three out of every four people in the United States’ workforce will be Millennials in a decade.

Of the 83.1 million Millennials in the United States, however, only 5.5 million are in the food and agriculture sector and just a quarter million of them are farmers. And yet Millennials’ opinions on agriculture sustainability are strong.

Over the past two years Colle+McVoy conducted an extensive survey of Millennials work live and work in the food and agriculture sector, with more than 1,000 respondents and 80 comprehensive interviews.

The study resulted in three key findings:

- Ag Millennials consider sustainability local, emotional and collaborative
- They define sustainability in different ways
- There is pressure among this generation to make sustainability a high priority
SUSTAINABILITY IS LOCAL, EMOTIONAL AND COLLABORATIVE

Of the study respondents, 65% say that they take personal responsibility for sustainability by embracing new technologies and practices and by paying attention. Fruechte said they do good things because it’s the right thing to do. Given that such a large percent of this generation takes personal responsibility for sustainability, what is sustainable for one family may not be a good fit for another.

TO MILLENNIALS, SUSTAINABILITY IS AN ACRE-BY-ACRE, BUSINESS-BY-BUSINESS, REGION-BY-REGION MATTER.

DEFINITIONS OF SUSTAINABILITY ARE SHIFTING

There is a balanced view of sustainability within this generation, which begs the question, how much of these differences are because of life stage versus generational differences?

To this generation, environmental, economic and social sustainability all are equally important. Fruechte said this is the first generation in ag to see that these three components are interdependent. Millennials are ambitious realists who want to accomplish big things, and they are considering the long-term impact of sustainability more than any generation before them.

PRESSURE TO MAKE SUSTAINABILITY A HIGH PRIORITY

Millennials in the food and ag industry believe it is the job of the whole industry to communicate and educate the public about farming, food production and sustainability. Millennials want to tell their stories, but more importantly, they are calling for their stories to be heard. Many of Colle + McVoy’s study respondents sent in essays, and the agency was surprised by how much sustainability was woven into the essays.

FRUECHTE SAID MILLENNIALS ARE BRINGING SUSTAINABILITY TO THE FOREFRONT OF THE FOOD AND AG CONVERSATION.
As 2015 comes to a close, I’d like to express my sincere appreciation for your support of AgriGrowth’s mission. Every day we strive to build an even stronger AgriGrowth as our industry faces new and complex challenges and we couldn’t do it without the support of our members and partners across the food and agriculture industry.

This past summer, the AgriGrowth board developed three new strategic focus areas to guide the organization in the months and years ahead; they are:

- Advocate for a positive business climate for Minnesota’s agriculture and food sector;
- Build awareness, trust and support for our sector with “key influencer” audiences; and
- Serve as convener, collaborator, and thought leader on issues relevant to the future growth and prosperity of our sector.

We are also working to expand our ability to develop solutions to some of the most pressing challenges facing our sector. For example, in November AgriGrowth launched a Working Lands Conservation Pilot Program in partnership with AGree that seeks solutions that are producer-led, watershed based, and supply chain engaged.

This is another example of the unique role AgriGrowth plays in bringing together partners to tackle tough issues. We believe Minnesota is well-positioned to help lead this effort because of our state’s reliance on agriculture and our understanding of these important issues. The initiative will build on the success of farmers to enhance productivity and help deliver good data to understand and improve best practices related to water.

As we look forward to 2016, AgriGrowth is ready to ensure that the voice of the food and agriculture industry is heard by candidates and voters in what will be a busy election year. History has shown us that state election results directly impact the future of food and agriculture in our state. With all 201 Minnesota legislators up for re-election in 2016, AgriGrowth will be involved again to elevate issues important to Minnesota’s agriculture and food sector.

Thank you for another great year. We look forward to working on behalf of our membership in 2016. If you have questions or feedback to share, please email me anytime at paasness@agrigrowth.org.
Afternoon Panel Discusses Water Sustainability

Director of the North America Freshwater Program at The Nature Conservancy Michael Reuter moderated an afternoon panel regarding water sustainability, technologies that will drive solutions, and water trends and outlooks. The panel featured representatives from government, precision agriculture and technology, production agriculture and academia. The panelists were:

- Jeffrey M. Peterson, Director at the University of Minnesota’s Water Resource Center;
- Dr. Adam Birr, Executive Director at the Minnesota Corn Growers Association;
- Joel Wipperfurth, Ag Technology Applications lead at WinField;
- Dr. Jerry L. Hatfield, Laboratory Director of the National Laboratory for Agriculture and the Environment;
- John Linc Stine, Commissioner at the Minnesota Pollution Control Agency.

SOLUTIONS FOR WATER SUSTAINABILITY

Laboratory Director of the National Laboratory for Agriculture and the Environment Dr. Jerry Hatfield said that people recognize there is multi-functionality in the ag industry: production and environment. These two used to be separate sectors but they are now married together. With that union comes the necessity for new information collection.

“We live in an information age and we need to capture how we use information in entirely different ways than we did before,” Dr. Hatfield said. As an example, he said if you look across the Upper Midwest you’ll notice there is more spring rain and less summer rain, and as such we need to improve our soil’s capacity to absorb and filter the water.

TECHNOLOGY IN THE FOOD AND AG SECTOR

Executive Director at the Minnesota Corn Growers Association Dr. Adam Birr voiced his concern that technology may have outpaced the ag sector’s knowledge. These scientific underpinnings may require some catch-up in terms of technology comprehension.

Much of the focus on ag technology right now is figuring out how to scale it. Jeff Peterson, Director at the University of Minnesota’s Water Resource Center, suggests that the way technology scaling is likely to happen successfully is going from one farm to the next. “There is no one solution to this; it’s a whole suite of solutions. The trick is to put the right practices in the right places,” said Peterson.

Ag Technology Applications Lead at WinField Joel Wipperfurth said that trust seems to come when it’s local. The key question is how to identify successful water systems in place at a local level that have the potential to scale.

PRODUCTIVITY RESOURCES

A vital component of the ag sector’s technology advances are productivity resources, or technologies that help us get more with less. Dr. Birr said the agriculture community has a strong interest to
invest in productivity, noting that the Minnesota Corn Growers Association is partnering with the University of Minnesota to continue to identify productivity solutions.

Watershed projects constitute a large part of the productivity resources. Within these projects, Dr. Birr said success always boils down to one person – one leader. The question is how can we find adept people that bring groups together.

People trust people more than systems, so it’s increasingly important to identify the individuals who are driving the changes. You can have the technology in place, like a good monitoring system, but who is going to trust it, John Linc Stone, MPCA Commissioner, said.

The panel shared overall optimism about the future of water and sustainability. Technologies and tools are in place, and now it is time to invest time and effort into discerning how to scale the technologies to a greater level.

FIVE REASONS FOR MEMBERSHIP IN AGRIGROWTH:

1. We have been a positive public voice for Minnesota’s agriculture and food systems industry since 1968.

2. We are a nonprofit, nonpartisan member association which serves as a trusted resource for policymakers, media, key industry stakeholders, consumers and our members.

3. We provide opportunities for networking, relationship building, and collaboration among our diverse membership of agriculture and food systems businesses and the service sectors that support them.

4. We have a public policy director dedicated to watching issues affecting the broader agriculture and food systems industry on behalf of our members.

5. We foster dialogue between agribusiness, producers, farmers, state and federal agencies, higher education and policymakers.

Become a Member Today — Click here to access the AgriGrowth Membership Brochure & Application

Do you value our newsletter content and frequently attend AgriGrowth events? Do you believe food systems and agriculture play an important role in Minnesota’s economy and in feeding our world?

If so, consider becoming a member today!

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