Sustainability, Building Consumer Trust, Ag Economy
Featured at 2014 Annual Meeting and Conference

Adam Axvig, Communications Director

Reaction to the 2014 Annual Meeting and Conference has been almost universally positive since the Thursday, November 6th event. The addition of the “night before” reception was well received with over seventy guests in attendance at Brit’s Pub to socialize and network the evening before the event. The previous night’s success served as an apt precursor to the meeting the next day, which had over 500 attendees on hand to hear from the various speakers and panels. Much of the day’s content centered around sustainability, ag economics and political and cultural challenges facing the food and agriculture sector.

Morning Program
The morning program opened with the business portion of the annual meeting with various reports from AgriGrowth officers and staff and election of board members.

Kicking off the morning speakers program was Dr. Michael Swanson, senior vice president and agriculture economist for Wells Fargo. Dr. Swanson briefed the attendees on the current status of the agriculture economy and the various factors that influence the health of the ag economy (See story on page 3). Swanson was followed by Charlie Arnot, CEO of the Missouri-based Center for Food Integrity, who spoke at a discussion with perspectives from the various links of the food chain (see story on back page).

Afternoon Program
Senator Amy Klobuchar kicked off the afternoon program providing an update on her efforts for agriculture in Washington, touching on a number of issues including addressing infrastructure deficiencies, reducing the corporate tax rate, immigration reform, and trade agreements.

University of Minnesota - CFANS Dean, Dr. Brian Buhr, introduced the first of two afternoon panels, the first focused on sustainability. The sustainability panel featured a discussion with perspectives from the various links of the food chain (see story on back page).

If you missed this year’s meeting or would like to review the speakers and panels, please visit http://bit.ly/agriculture14

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2014 Distinguished Service Award: Paul DeBriyn

AgriGrowth recognized former AgStar CEO and 15-Year AgriGrowth boardmember Paul DeBriyn (pictured, left) with the 2014 Distinguished Service Award (DSA) at November’s Annual Meeting and Conference. DeBriyn retired from AgStar earlier this year after a 27-year career with the company.

The award had special significance for DeBriyn in light of his significant contributions to the growth and position of AgriGrowth. “This award is special to me because I was chairman of the Minnesota AgriGrowth board for three years, from 2005-2007, and I had the opportunity to present the award to people like Ron Fagan, Al Anderson and the late Bob Christensen, so to have the opportunity to join an elite group like that truly is an honor for me,” said DeBriyn in his acceptance remarks.

Thank you Paul for what you’ve done for agriculture in Minnesota and AgriGrowth wishes you all the best in retirement. You can view Paul’s DSA video at http://youtu.be/V0CFsE22Yfw

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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, Riverview Farms LLP, former Minnesota Agriculture Commissioner Gene Hugoson, and Don Helgeson of Gold’n Plump Poultry among others.
The Minnesota Agri-Growth Council is an advocate for the state’s food and agriculture industry. Founded in 1968, Agri-Growth 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.

Get to the root of the matter.

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Dr. Michael Swanson on “What’s Driving The Ag Economy”

Adam Axvig, Communications Director

Dr. Michael Swanson, agriculture economist for Wells Fargo, kicked off the morning program at the 2014 Annual Meeting and Conference with a discussion focused on what is driving the current ag economy. The U.S. agriculture economy has been a shining outlier when compared with the rest of the U.S. economy, with growth rates markedly higher than growth rates of the real GDP as a whole. Swanson’s presentation centered around three main factors he believes is driving the ag economy’s standout performance.

Interest Rates

For the past several years, the Federal Reserve has kept interest rates artificially low based on a belief the U.S. economy is continuing to underperform. “We have had the longest sustained underperformance of US economic performance against potential we’ve ever seen,” Swanson explained, “so the Federal Reserve is keeping interest rates low because they believe that we’re underperforming dramatically where we could be in this economy.”

Swanson explained that while the Fed’s monetary policy is directed toward the more sluggish sectors of the economy, their efforts nonetheless work through the general economy and have collateral impacts on the ag sector.

One of those effects has been the impact of low cost money on land values. “Is this a bubble? And the answer is absolutely it’s a bubble. Now, is that a problem? Depends on what you own and how much leverage you have against it. These prices will get pushed backwards” explained Swanson in discussing land values. The precipitous rise in land values come from two main factors, the increase in revenue produced from land and the availability of low interest credit via the Federal Reserve’s monetary policy.

Chinese GDP Deficit

China

Swanson’s second identified driver of the ag economy is the rise in the trade relationship between the U.S. and China. Last year, the U.S. ran a $23 billion surplus in trade of Ag, Forestry, and Fishing products with China, versus a $1.1 billion trade deficit of the same products with the rest of the world. Swanson cautioned against the “Walmart effect” or concentration risk of allowing one player to become such a dominant part of the U.S. export market, but also acknowledged the tremendous opportunity the Chinese market offered American farmers.

According to Swanson, the key to China’s rise as an export market has to do with growth in China’s GDP, which has been precipitous since the 1970’s, far outpacing similarly populous countries such as India.

The challenge moving ahead, according to Swanson, is managing that relationship. “China is a great customer, they’re going to be a great customer, but they’re going to be a very difficult customer to manage. They’re going to do what’s right for them.”

Swanson added that the Chinese economy is likely to become more volatile as it matures, which will likely have effects in the U.S.; something that California’s almond farmers are already experiencing.

Swanson also warned that China will continue to work to supply more ag products internally and that American producers would be wise to be cognizant of those efforts and the impacts they will have to the U.S. export market.

Energy Policy

Dr. Swanson closed his presentation with his perspective on energy, referencing that energy prices have become a major player in the grain and oilseeds market and that volatility in the price of crude oil will continue to impact grain and oilseeds prices. Adding to that uncertainty is again, China, and its importance not only in food markets, but energy as well. Any downturn in the Chinese economy will not only impact American farmers through reduced food imports, but indirectly through less energy consumption driving energy demand and crude prices downward.

View Dr. Swanson’s presentation and slides at http://bit.ly/agriculture14
Manual, which HEI has been selected to lead. In addition, we are leading the development of innovative approaches to help practitioners and landowners better manage and implement TMDLs and WRAPS, due in part to the continued funding of these projects by the state. We also see an increasing trend of producer and agribusiness-led initiatives to document and track agricultural practices that increase sustainability, in order to meet sustainability goals throughout the supply chain. Based on this trend, we have developed tools that allow users to manage and report progress on implementing stewardship practices.

What are your legislative priorities? Our legislative priorities are primarily tied to initiatives that promote the implementation of practical solutions, remove unnecessary burden to practitioners, and fund stewardship where it provides the greatest benefit. We do not lobby but often provide policy and technical information to various industry leaders.

What do you value most about your membership in AgriGrowth?
AgriGrowth delivers tremendous value by connecting a diverse network of people and businesses within the food and agricultural sectors, by providing opportunities to interact on relevant topics, and by presenting a collective voice to the public and policy makers. We value our AgriGrowth membership because it provides us with relevant and timely information about the issues facing the modern food and agriculture industries, and challenges us to look for the next innovation. We are proud to be members of such a forward thinking organization!

Figure 1: An example of our work prioritizing, targeting, and measuring implementation on the landscape.

Election Day Brings Success for A Greater Minnesota

Election night brought major changes to the Minnesota legislature with the Minnesota House of Representatives changing from DFL control to Republican control.

The roots of the new Republican majority largely lie in greater Minnesota where Republican candidates dominated in swing districts previously held by Democrats. Farm and ag issues were highly visible during the campaign, partially due to the efforts of A Greater Minnesota (AGM). In total, ninety-one House candidates responded to the pledge questionnaires AGM sent out, with thirty-nine newly elected representatives agreeing to all five points.

AgriGrowth will continue to engage with the AGM coalition partners to build upon the success in the 2014 elections and work to keep food and ag issues in the spotlight as the legislature begins session in January.

Please visit www.farmandfoodmn.org to learn more about A Greater Minnesota and how you can get involved.

Save the Date(s)!

AgriGrowth is continuing the tradition of hosting policy luncheons during the legislative session this year. Please mark your calendars for the following dates, all luncheons will be held 11:30a-1:00p:

- January 28th - Policy Luncheon, Kelly Inn, St. Anthony Room
- February 4th - Legislative Reception, 317 on Rice Park
- February 25th - Policy Luncheon, Kelly Inn, Buffington Room
- March 25th - Policy Luncheon, Kelly Inn, Buffington Room
- April 22nd - Policy Luncheon, Kelly Inn, Buffington Room

Please look for upcoming information regarding the policy luncheon speakers.
Consumer Trust Issues in the Spotlight at 2014 Annual Meeting and Conference

Adam Axvig, Communications Director

“How did we get to the place where people are fundamentally more skeptical and concerned and less trusting about food and agriculture than they’ve ever been before?” was the question mid-morning presenter, Charlie Arnot, posed to the audience at the 2014 Annual Meeting and Conference. Few people have a better perspective on that question than Arnot (pictured), who currently serves as CEO of the Missouri-based Center for Food Integrity, an organization whose mission is “building trust and confidence in today’s food system.”

Arnot believes the answer begins in 1968, the year that both Bobby Kennedy and Martin Luther King Jr. were assassinated, shaking American post-war confidence. The decades of tragedy and scandal that followed played out on television screens across the nation, slowly eroding the public’s trust in institutions and fundamentally changing the way Americans looked at the world, ultimately creating a much more skeptical consumer.

This mistrust in institutions has manifested itself in the irrational suspicion of food companies. Never before in human history has food been as safe and plentiful as it is today. However, paradoxically consumers are increasingly skeptical of the safety of their food. The rise of opportunists like the Food Babe have only further exasperated these fears as consumers have moved away from letting science guide their decisions toward alarmists who play to peoples’ fear of institutions and lack of scientific knowledge.

How Do We Build Trust?

“We’ve operated under the assumption that the social decision making process is logical and rational and that the problem is an information deficit. So if we simply give people the right information, they’ll come to our side of the argument,” Arnot said, but CFI research has demonstrated that “shared values are 3 to 5 times more important than demonstrating technical competency in building trust. So, we’ve had the historical communication equation exactly backward.”

Adding to the challenge is consumer bias against large companies. CFI’s research has shown that consumers have a built-in mistrust of large organizations. CFI’s data show a statistically significant inverse relationship between perception of “shared values” and the size of an organization. In CFI’s qualitative research, Arnot says respondents said they believe that companies of large size will “sacrifice public interest in the name of profits.”

But Arnot does offer ways in which large firms can build consumer trust, categorized in seven buckets.

• Motivation - Act in a manner that is ethical and consistent with stakeholder interest;
• Disclosure - Share information important to stakeholders, both positive and negative, even if it might be damaging;
• Stakeholder Participation - Ask those interested in your activities and impact, for input;
• Relevance - Share information stakeholders deem relevant;
• Clarity - Share information that is easily understood;
• Credibility - Admit mistakes; apologize; accept responsibility; engage critics; share plans for corrective action;
• Accuracy - Share information that is truthful, objective, reliable, and complete.

Arnot believes this modern skepticism is a new reality to which companies must adapt to survive. We are now in an era where mistrust of institutions has become the social norm and decisions are not made on facts and rational thought alone. “Your expertise is invaluable, but your ability to connect with those who have concerns based on their values is even more important,” said Arnot. Arnot believes companies need to embrace skepticism as an opportunity to connect and engage with consumers.

Three Things Attendees Can Do

Arnot closed with three things that companies can do to begin to make a difference;

• Begin your public engagement using shared values;
• Open the digital barn / plant door. Find ways to make the food system transparent to illustrate your commitment to do “what’s right;”
• Commit to engaging online, in person and through your company.

Learn more

There are more resources and research on consumer trust on the Center for Food Integrity’s website at www.foodintegrity.org. The Minnesota AgriGrowth Council became a member of CFI this year, granting AgriGrowth membership access to a wealth of CFI resources on consumer trust issues. For information on what resources are available through AgriGrowth’s membership in CFI, please call AgriGrowth offices at 651-905-8900. You can view Charlie’s presentation and slides at http://bit.ly/agriculture14.
The issue of food production sustainability was the focus of a panel discussion moderated by AgriGrowth chair and Director of Sourcing and Sustainability for General Mills, Steve Peterson. This year’s panel featured representatives from different parts of the supply chain. The panelists were:

- Rod Snyder, Executive Director, Field to Market;
- Tyler Grove, General Agronomist, American Crystal Sugar Cooperative;
- Jennifer Shaw, Head of Sustainable Sourcing Solutions, Syngenta North America;
- Katrina Heinze, Organic Industry Affairs, General Mills;
- Adam Barka, Environmental Resource Manager, Christensen Farms.

Defining Sustainability
The first part of the discussion focused on defining and measuring sustainability, which showed some variability amongst the sectors of the supply chain, but also some commonalities.

“Grow more from less,” said Syngenta’s Shaw, “which is really important because it gets to the heart of the challenges of agriculture around productivity and efficiency” ticking off a number of areas in which Syngenta supports sustainability. Shaw added that as an input provider, “What our role is more about is that innovation to really reduce the footprint of others.”

General Mills’ Heinze added, “for businesses like ours, this is really a business imperative. At General Mills we define sustainability as conserving resources and protecting the communities upon which we depend.” She continued, “our biggest impact...is outside our four walls, so it’s really upstream with our farmers.”

Measuring Sustainability
Assigning a common set of values and metrics to sustainability is seemingly as important as defining it. One example of an effort to achieve this end is Field to Market, a coalition of grower organizations, ag products retailers, food retailers, restaurant companies, conservation groups, several universities and other public sector entities to act as an arbiter of a common standard by which to measure sustainability. Said Field to Market’s Snyder, “whether it is soil erosion, or irrigated water use, or energy use, getting the full industry together to put together some uniform metrics that allows us to understand these things in a consistent way has been really valuable because then no matter where you are in the supply chain, if you’re a major retailer like Walmart or you’re a farm organization, you’re kind of talking off the same page with respect to how we’re defining these things.”

In a point that Syngenta’s Jennifer Shaw made later in the discussion, Shaw said that having defined metrics in place would allow innovators like Syngenta to tailor their development of new products to fit those metrics. This becomes even more important when considering that development of new products can sometimes take as long as ten years. Shaw also noted that having quantifiable metrics would allow farmers to better explain their efforts and successes with sustainability.

The Role of Technology in Sustainability
“There’s no way around it,” said American Crystal’s Tyler Grove, “the innovation, technology, and precision ag has to play a role in this [sustainability] and is already present in building that base.”

“Innovation isn’t just about technology, it’s about new science, understanding new biological systems, understanding what’s happening in our soils,” said Katrina Heinze. She continued, “we need to start thinking as one big tent, where we all bring parts of the solution, and working collaboratively we’re going to find the solutions, but it has to be a big tent approach.”

According to Snyder, Field to Market is looking at ways to augment the software that farmers are currently using with tools to measure and assess the sustainability of their operations.

“We’ve been able to reduce our water usage per pound of pork by 40%, our land usage requirements by 78%, and our overall carbon footprint by 35%”

Adam Barka, Christensen Farms

From an agriculture production standpoint, Grove and Barka, talked about their respective organization’s efforts and successes toward sustainability. In describing pork’s successes in sustainability, Christensen Farms’ Barka said, “We’ve been able to reduce our water usage per pound of pork by 40%, our land usage requirements by 78%, and our overall carbon footprint by 35%.”

There was general consensus amongst the panel that the innovations that drive sustainability have to come from all areas of the supply chain, that each part of the chain has a role to play in promoting sustainability of agriculture as a whole.