



The 44th Annual Meeting & Speakers Conference Draws Record Crowd

Over 500 attendees participated in the November conference highlighting American Agriculture and the food chain.

The 44th **Minnesota Agri-Growth Council** (Agri-Growth) Annual Meeting held on Nov. 16 at the Minneapolis Convention Center drew a record crowd of 500 farm, agribusiness and food industry leaders, congressional and legislative leaders, academics and trade media. The theme of the meeting was “American Agriculture: Raising Food for Thought.”

Following a brief morning member’s meeting with officer reports and elections, **Dr. Michael Swanson**, chief agriculture economist, **Wells Fargo**, shared his outlook for the global agricultural economy and **Dr. Jason Henderson**, director for the Federal Reserve Bank of Kansas City discussed monetary policy and food price inflation (see articles inside).

During the luncheon program, attendees heard from **Governor Mark Dayton**, **University of Minnesota President Dr. Eric Kahler**, **Dr. Michael Osterholm**, director of the Center for Infectious Disease Research & Policy and **Temple Grandin**, professor at Colorado State University.

Gov. Dayton thanked attendees for their important contributions to the economic and social well being of the state. “While far from perfect, the overall vitality of the agricultural economy is one of the key reasons why Minnesota survived the great recession with relatively less economic damage than the nation as a whole. And, it’s also why our recovery has exceeded the nation’s,” said Gov. Dayton. (More details on article inside)

MODEL FOR FOOD SAFETY RECOGNIZED

Agri-Growth’s 2011 Distinguished Service Award was presented to the Minnesota Model for Food Safety Team for its unique service and achievement in the area of food safety and rapid response. The Minnesota Model for Food Safety has repeatedly demonstrated an ability to quickly detect

and resolve food borne illness outbreaks, helping to crack cases on national outbreaks that have puzzled public health officials around the country. This highly effective food safety model helps to assure consumer confidence and has gained national attention and recognition. Representatives from the Minnesota Department of Agriculture, the Minnesota Department of Health and the University of Minnesota - School of Public Health accepted the award, which recognizes those who significantly contribute to strengthening Minnesota’s food and agriculture industry.

GRANDIN TALKS ABOUT RESPECTFUL ANIMAL CARE

Luncheon keynote speaker Dr. Temple Grandin, animal scientist and consultant to the livestock industry on animal behavior, encouraged the industry to show consumers how it respectfully handles animals for food production. In an on-stage interview she told Minnesota Public Radio host **Kerri Miller** she is frustrated that people don’t know how much animal handling has been improved. “We need to be communicating with the general public. They are curious,” says Grandin. She suggests the industry stream live video from their facilities to make a positive connection with consumers. (More details on back page article.)

FARM BILL UPDATE

Following lunch, **U.S. Senator Kent Conrad (D-ND)** spoke via live video conference from Washington D.C. to provide an update on the farm bill and budget super-committee. “Any new farm bill legislation needs to be defensible, more cost effective, less complex and reduce duplication,” said Conrad. “It should also maintain crop insurance as a primary risk management tool and provide for weather related disasters.”

He noted, “Federal spending is at its highest level as a share of the national



The team behind the Minnesota Model for Food Safety accepts the Distinguished Service Award.

economy in 60 years, while federal revenues are at the lowest level in 60 years. We need to correct these imbalances.”

The Congressional Budget Office projects federal farm bill spending will be less than two percent of total federal expenditures over the next 10 years. When you exclude nutrition programs, farm bill spending will be less than one-half of one percent. “These programs provide our nation with the safest, most affordable and most abundant food supply on the face of the earth and they do all of this for less than half a penny on the dollar of what our government spends,” said Conrad. “While agriculture should be prepared to pay its fair share toward deficit reduction, we should not be asked to shoulder an unfair or disproportionate burden.”

Conrad said there is a wide range of farm bill cuts being recommended, ranging from

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Member In Focus

Boyum & Barescheer PLLP
CERTIFIED PUBLIC ACCOUNTANTS AND ADVISERS

Website: www.BoyBarCPA.com

Locations: Bloomington (home office) and White Bear Lake, MN

Boyum & Barescheer (B&B) is a "Top 25" regional CPA firm with a national and global focus in serving our clients. Beyond our Agribusiness clients, we work nearly exclusively with privately held businesses, their families and non-profit organizations. Typically traditional accounting and business advisory services are provided to help them succeed and prosper. We have offices located in Bloomington and serve the East Metro Area with our White Bear Lake office. Since our founding in 1975, we have grown to a staff of nearly fifty, including eight partners and nine managers, all here to serve our clients' needs. Boyum & Barescheer brings together a team of professionals with a variety of education, training, and public accounting experience with national and local firms to best serve our clients.

Nearly two-thirds of our people are CPAs. A number have advanced degrees, credentials in specialty areas, come from family businesses or have work experience on the client side. Our clients find these attributes bring them additional value. B&B professionals are encouraged to look beyond the traditional scope of a financial statement or tax return engagement to identify helpful suggestions for improving the financial strength and efficiency of the clients we serve. Our Agribusiness clients can attest to our honed ability to recognize answers and opportunities from crossover information reaped from our non-agricultural accounts.



Q & A with Stacy M. Shaw, CPA, MBA - Emerging Business Manager – Leads B&B's Agribusiness group:

Stacy is a Carlson School of Business graduate and Metropolitan State University masters graduate; Stacy came to Boyum & Barescheer in 2003. As a leading member of the Emerging Business Group, her position gives her ample opportunity

to work directly with clients in all aspects of their businesses. She is very active with the MN Society of CPAs and American Institute of Certified Public Accountants.

What are some of the current issues facing Agribusiness clients?

Nearly all businesses appear to be challenged by our present economy. Those that continue to see the opportunities that this economy presents and act quickly typically do much better. Financing businesses and growth can be a challenge with bank covenants becoming even more stringent. A bank's confidence in the financials which have been reviewed or audited by a recognized CPA firm can be helpful. In some instances, both the bank and client find an Agreed-Upon Procedure to be more beneficial.

An increasing challenge to businesses is the negative financial situations several states find themselves in. This has resulted in aggressive interpretations of nexus, resulting in increased multi-state tax filings.

Sales and use tax audits are at an all time high, again with aggressive interpretations of the tax codes. Many clients are taking a much closer look to ensure they are in compliance.

What is your service style for Agribusiness clients?

We believe that the foundation of any firm is reliable service. First we understand the importance of listening to our clients, recognizing the enormous amount of knowledge that they bring to the relationship. It also means being available when our clients need us, returning phone calls promptly, and con-

sistently doing whatever it takes to help our clients meet their objectives.

For more than three decades we have met with clients, asked questions about their organizations, listened to their concerns, offered quality service, and helped them reach their goals. We pride ourselves on our ability to provide the full resources of a large accounting firm without compromising the importance of personal and attentive service.

Being a mid-size firm gives us an advantage over smaller firms. We have a breadth of talented professionals with experience and longevity. This means that work gets done thoroughly, correctly and timely. On the other hand, we compare favorably to the larger local or national firms. Although larger firms have the resources necessary for the desired level of services, those resources are typically highly leveraged, limiting top talent involvement. Attracting and keeping a quality mix of talented staff is one of our strong suits. A nurturing culture which encourages talented individuals to grow and experience a life balance between work, family, friends and the community has been a big part of delivering continuity of quality service to our clients. A testimony to this is low turnover, return of alumni and numerous referrals from alumni.



Put your trust in these four dozen talented people and three decades of success in supporting Agribusinesses like you. Our right size, stable history and culture attracts and keeps good personnel. This allows us to provide you with the full resources of a big accounting firm without compromising personal service and value.

ANNUAL MEETING & SPEAKERS CONFERENCE DRAWS RECORD CROWD, CONTINUED FROM PAGE 1:

\$10 billion to \$176 billion over 10 years. "Ag is under attack by urban media, some academics and by think tanks that influence the thinking of many policy makers in Washington," he said. "All parts of agriculture need to reach out and speak positively about the benefits of the farm bill."

Following Senator Conrad, the Deputy Under Secretary for Food Safety at USDA, **Mr. Brian Ronholm**, provided an update.

FOOD FOR THOUGHT PANEL

The Food for Thought Panel, was moderated by **Dr. Michael**

Boland, director, Food Industry Center, **University of Minnesota** and included **Dan Dye**, president, **Cargill Horizon Milling**, **Dr. Phil Minerich**, VP research and Development for **Hormel Foods**, **Annette Maggi**, RD, senior director of nutrition at NuVal, and **Scott Sannes**, professional engineer with **Short Elliott Hendrickson, Inc.** The panel discussed trends in food production and marketing including sustainability, nutrition scoring systems, health and wellness, convenience and taste. (Related article on page 5.)

Learn more about the conference, find speaker powerpoints and watch video of the day at www.agrigrowth.org/annual.

Risk Management is Key to Agriculture's Prosperity

Economist says to prepare for the unexpected.

Wells Fargo economist **Michael Swanson** told attendees of the **Minnesota Agri-Growth** conference that those in agriculture must manage increased risk and volatility in a global climate of economic and political uncertainty. He urged the industry to be prepared for the unexpected, including changes to U.S. monetary policy and biofuels policy. "With our budgetary deficits today, anything and everything can happen politically," says Swanson. "The idea that ethanol policy could be reversed is almost unthinkable, but you need to think the unthinkable when it comes to managing your wealth and risk."

U.S. agriculture's main source of income growth is from agricultural exports and biofuels production, he notes, making it more susceptible to economic and policy changes both here and abroad.

CASH IS TRASH POLICY IMPACTS AG EXPORTS

Current U.S. fiscal policies have led to low interest rates and a record low exchange rate for the U.S. dollar, stimulating ag exports. In 2006, the U.S. was a net importer of food and agricultural products, but by 2008 it became a net exporter with record ag exports in 2010, and this year it's on pace to blow that record away by 30 percent. So what's the problem? Record exports are based on a cheap dollar, which

is dependent on monetary policy.

"Our current 'cash is trash' fiscal policy, is not sustainable," contends Swanson. "Monetary policy will get reversed and it will cause shockwaves similar to the 1980's. Current interest rates are not normal even though they've been there for three years and might be there for another two (based on recent Federal Reserve statements.)"

THREATS TO AG INCOME

Given the threefold increase in grain prices in the last five to six years, Swanson does not expect grain prices to continue to rise nor is he predicting a major decline. "I think \$6 corn is very defensible for the long term as long as we have \$90 a barrel crude oil and an ethanol policy that stays in place. It's dependent on those two ifs, however," he says.

There are many other potential threats to ag prices. A severe recession in China would negatively impact stock, commodity, energy, agricultural and metals pricing around the world. Also, a weakening Euro will increase Europe's export competitiveness.

Swanson believes land prices will go down when interest rates increase and especially if future cash flow decreases. "A big part

"You need to think the unthinkable when it comes to managing your wealth and risk."

– Michael Swanson, Wells Fargo economist

of farmland values in Minnesota reflect global economics. My take is people overestimated growth and underestimated volatility," he says.

Margin management will be key to dealing with greater economic and price volatility. "Ag businesses will need more working capital and more risk management on an ongoing basis," says Swanson. "If you embrace that risk, plan for it, and build your business model around it you can actually prosper relative to your competition."

With record exports, record farm income and record land prices it's tempting to believe a growing world population with improving incomes will provide uninterrupted momentum for the U.S. ag economy. While possible, it's not certain. "U.S. agriculture is going to be a fascinating, dynamic business for the foreseeable future. It will just be a lot more volatile than most of us are expecting," says Swanson.



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.

MINNESOTA AGRI-GROWTH COUNCIL
408 St. Peter Street, Suite 20
St. Paul, MN 55102
p: 651.905.8900 • f: 651.905.8902
info@agrigrowth.org • www.agrigrowth.org

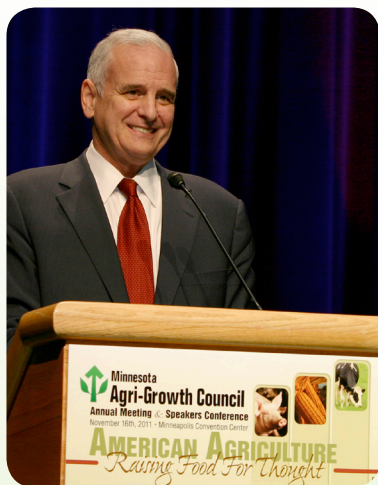
Staff

Daryn McBeth, president
Tony Mondry, program manager
Krystal Caron, communications director

Minnesota Agri-Growth Council Newsletter

Gov. Dayton Thanks Ag Industry for Economic Contributions to the State

Addressing the Minnesota Agri-Growth Council Annual Meeting & Speakers Conference, **Governor Dayton** says the overall vitality of the agricultural economy is one of the key reasons Minnesota has survived the great recession with relatively less economic damage than the nation as a whole. "I learned when I was Commissioner of Economic Development, many years ago, that every business on main street Minnesota depends upon a healthy agricultural economy for its own vitality," says Dayton.



He notes that total wages in the state grew by 2.8 percent in 2010 compared to a national average of 2.2 percent. So far this year, total wages in Minnesota have increased by 4.8 percent. Since the recovery began in September 2009, Minnesota employment increased by 2 percent compared to the nation's 1.2 percent increase. Our current unemployment rate is 2 percent less than the country's. Agriculture provides jobs for one of every 5 Minnesota workers with 80 percent of the jobs being off the farm.

"Relatively good commodity prices and the success of Minnesota agribusinesses were major factors in our above average economic performance. So thank you very much for your very important contributions to the economic and social well being of our state," Gov. Dayton says.

"While the future in this turbulent world economy is hard to predict and it appears often to hold more peril than opportunity for the citizens of our country, I'd say that the outlook for the ag sector is very, very bright," the Governor says. As more people's incomes increase around the world they will demand more high quality food and protein, "and that's where American quality, productivity and innovation will win out and pay off for all of you and your enterprises and pay off for the citizens of Minnesota who will be the beneficiaries."

"Minnesota's international trade director **Katie Clark** and I stand ready to work with you and assist you and support you in whatever way we can for your continued success and your growth here in Minnesota," he says.

Economic Recovery Will be Anemic through 2013

Farmers can expect low interest rates to continue for the next two years, as the Federal Reserve has indicated it will keep its key federal funds rate at historically low levels — below 0.5 percent at least through 2013.

Even with low interest rates, the economy's recovery has been anemic with GDP growth expected to be about 1.7 percent this year. "It will be 2013 before growth will be above 3 percent, and we need growth much stronger than 3 percent to significantly reduce unemployment. Inflation will likely remain below 2 percent and unemployment will be above 8 percent through 2012," says **Dr. Jason Henderson**, director of the Federal Reserve Bank of Kansas City, Omaha Branch.

"We've added two trillion dollars to the monetary system, but it's not showing up in the money supply. Where is it? It's sitting in excess reserves at depository institutions," he says. "Ultimately, for economic growth we need banks to start lending, consumers to start spending and businesses to start investing. We can drive interest rates to zero and ten-year rates to 2 percent, but it takes more than that to kick-start the economy. Businesses are flush with cash, but they are uncertain about the economy, taxes and regulatory burdens. Labor is relatively expensive so all they are investing in is equipment and software."

Low interest rates have been a positive for agriculture. "Agriculture's golden eras have always emerged in low interest rate environments. A weaker dollar makes our goods more competitive on global markets and we get increased prices," says Henderson. "Ag is ultimately driven by market fundamentals of supply and demand, but monetary policy is an amplifier of shocks both up and down."

The challenge is rising food prices have a big impact on the poor who spend more of their income on food. In the U.S. we spend less than 7 percent of our income on food compared to 40 percent in Mideastern countries and 25 percent in emerging nations like India, Brazil and China.



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Dr. Michael Swanson, Wells Fargo Bank

Panel Discusses Trends in Food Production and Marketing

Dr. Michael Boland, director, Food Industry Center at the University of Minnesota moderated a panel on food production and marketing trends. Panelists included Dan Dye, president, Cargill Horizon Milling, Dr. Phil Minerich, VP research and development, Hormel Foods, Annette Maggi, RD, senior director of nutrition, NuVal, and Scott Sannes, professional engineer, Short Elliott Hendrickson, Inc. (SEH).



Our planet and consumers are making big demands of agriculture. Farmers and the food industry are being asked to produce more food of increased variety and quality for a growing world population and to do it with less resources and improved sustainability. That was the key message of Agri-Growth's "Food for Thought" panel who shared ways to address these challenges.

DYNAMIC PARTNERSHIPS NEEDED

Dan Dye, president of Cargill Horizon Milling said the key to success will be dynamic partnerships between growers, agribusinesses and educators to develop innovations that are attuned to sustainability and improved food security.

He highlighted Cargill's partnership with Idaho wheat farmers and Sara Lee to produce Eco Flour,TM using reduced energy inputs. "We link the farmers all the way through to consumers on our website. Consumers are looking for this connection," says Dye.

Ag Horizon's Agronomy Pro Shop is addressing food security by partnering with the University of Illinois to develop a targeted approach to significantly increase yields and achieve new levels of sustainability. Their goal is 300 bushel/acre corn and 100 bushel/acre soybeans. "We have to think more broadly about food security to address the needs of the poor around the world. That includes sustainable agriculture, efficient markets, open trading systems, improved distribution and food safety. It will require public and private partnerships that invest in research and education," says Dye.

FOOD HABITS CHANGE SLOWLY

Dr. Phil Minerich, VP of research and development at Hormel Foods, noted that over the last decade the top ten breakfast foods have stayed the same. "Food tastes and habits do not change quickly, but cost and convenience do influence food choices," he says. When evaluating trends he suggests noting where the most dollars are being spent. For instance, sushi, hummus and yogurt have been named "foods of the decade,"



with growth rates of 2000 percent, 1900 percent, and 80 percent, respectively. "But, which one takes up the most space in your grocery store? That's where the dollars are being spent," he says.

NEED FOR HEALTH EDUCATION

Annette Maggi, a registered dietician and senior director of nutrition for NuVal, addressed the influence of food trends on health and wellness. "We've had incredible rising rates in obesity among children and adults in our country. It amazes me as a health professional that we are not shocked or in awe at these statistics," says Maggi. "This is the lens through which we should see everything. It will have a huge impact on the financial future of our country."

Data from the 2010 dietary guidelines report shows too large of a share of our calories are from simple carbohydrates like muffins, pastries and beverages. "It's concerning that for kids age 14 to 18, sodas, sports drinks and energy drinks are the highest contributor of calories," she says.

There is a growing trend towards nutrition scoring programs with the retailer playing a role in health promotion and education, according to Maggi. Under the NuVal system foods are given a nutrition score from 1 to 100, the higher the number the greater the nutritional value. "The scores show nutrient density and can help consumers trade up for health," says Maggi. She stressed that eating foods with intrinsic sugars provide more satiety than those with added sugar. "Eating a whole apple will provide more satiety than a cup of juice or soda because it also provides fiber," she says.

PARTNERSHIPS NEEDED FOR SUSTAINABILITY GAINS

Panelist Scott Sannes, an engineer with SEH, shared several examples of how engineers are playing a unique role in helping food chain partners – from farmers to

"There aren't good foods and bad foods, there are good behaviors and bad behaviors. We have a big job to do to reeducate consumers. We are working with the Grocery Manufacturers Association to call out key ingredients on front of package labeling."

– Phil Minerich, Hormel Foods

food plants—measure, document, improve or certify food or commodity production for sustainability and low waste production.

"Sustainability is a long-term business advantage," he says. Benefits include, energy savings, improved image, attracting customers and investors, risk management, and regulatory compliance. As more companies have addressed the low-hanging fruit of improving water, waste and energy efficiency, they will need to look at sustainability from a systems standpoint. "How do you continue to bring efficiency and push the envelope? Projects will require more capital and have longer returns on investment, so increasingly, entities will need to partner and combine their knowledge and resources," he says.

LIVELY Q & A

Responding to an audience question about future career opportunities, the panelists agreed that there are lots of opportunities in agriculture especially in the technology and science areas. Maggi added, "We live in a realm where kids learn information in very short sound bites. I'm concerned about a lack of critical thinking skills. We need people who can go deep first and then come up and communicate it."

The panel also fielded questions about food rating systems and how they contribute to the perception of good foods and bad foods. One audience member expressed concern that an apple scores much higher than a chicken breast (93 vs 39) on the NuVal system and that protein isn't given proper weight, especially for growing children. "Protein is not a shortfall nutrient in the U.S. or associated positively for impacting health. NuVal doesn't replace nutrition education. Consumers biggest concern is building a healthy meal with good value, variety and portion control," responded Maggi.

Panelists remarked that the ever-changing demands and dynamics of the industry will require more collaboration and innovative ideas. "There are going to be roles for the next generation to really build these partnerships and networks across the ag system. We've tried to do too much independently. They can build a stronger ag industry," observed Dye.

Merry Christmas & Happy New Year!

Thank you again for your membership and support during the last year. We are proud of the Minnesota food and agriculture industry and the strength we bring through working together. We've worked hard on your behalf and look forward another successful year. Join us at our 2012 events: Legislative Reception on February 1 and the 2012 Annual Meeting & Speakers Conference on November 13.

The Agri-Growth Council wishes you a very happy and prosperous 2012!

Grandin Hopes to Highlight Industry's Respect for Animals in Streaming Video



Dr. Grandin speaks candidly with Kerri Miller, MPR, at the 2011 Agri-Growth Conference.

The livestock industry needs to be more transparent and open about how it respectfully handles animals for food production, says **Temple Grandin**, an autistic animal science professor at Colorado State University, best selling author and consultant to the livestock industry on animal behavior. Grandin was interviewed on stage by Minnesota Public Radio host **Kerri Miller** at the 2011 **Minnesota Agri-Growth Council Annual Meeting & Speakers Conference**.

"The thing that really frustrates me is we've got the slaughter plants really cleaned up, and nobody knows about it. I want to really commend **Cargill** for going on the Oprah Show (and allowing cameras to show the slaughter process and how calm the animals are)," says Grandin. "People are so far removed from the world of practical things that they believe the activists who are telling the public that everything is bad. I think the industry ought to put cameras in their facilities and stream it out to a tour website." She has conducted tours in slaughter plants and says people are amazed at how quiet and calm the animals are throughout the process.

"We need to be communicating with the general public. They are curious," says Grandin. "Ag has a tendency when they get attacked to circle the wagons and button down the stockade. I think that's the wrong thing to be doing."

Grandin has high-functioning autism. Her unique sensory skills and visual thinking patterns have helped her understand animal behavior and develop improved methods of livestock handling that have been widely adopted by the industry. "I notice all of the little distractions that scare the cows," says Grandin, who has devoted her scientific work to creating environments that respect animals and keep them calm. One key element is a circular flow design. Many of the fixes are inexpensive such as non-slip flooring, solid side panels, lighting adjustments and handling cattle in small groups.

Restaurants such as McDonalds use animal handling and processing scorecards developed by Grandin to audit their meat suppliers. To pass the audit, 95 percent of the cattle must be stunned on the first shot, only 3 percent vocalization or mooing is allowed, 75 percent of the cattle must be moved without an electric prod and the fall rate can't be above 1 percent, she notes. "It's a simple audit, but these critical points measure a whole lot of other problems," Grandin explains. "The handling of animals has gotten much better in my 35 years in this business."



Dr. Grandin helped draw over 500 attendees to the Conference.

