

THE Agricultural Business Council of Kansas City

November 10, 2008

Kansas City Hosts Food & Fuel Forum

-- Dennis M. McLaughlin, McKinley Communications, Inc.



Food and fuel have been the main course for some hot dinner table conversations around the country. And depending on whose table – corn farmer, cattle feeder, consumer activist, etc. -- biofuels have either been praised as the new engine of economic growth or seen as the evil side effect of political influence and subsidies.

“But the topic today was treated with honesty and intellect,” said Bob Petersen, chairman of the Agriculture Business Council of Kansas City, summing up the ideas and perspectives

presented during the Council's day-long Food & Fuel Forum, October 23, at the American Royal. The Food & Fuel Forum was also co-hosted by the Agri-Business Council of Wichita, the Agribusiness Committee of the St. Joseph Area Chamber of Commerce, the St. Louis AgriBusiness Club, Sosland Publishing and Vance Publishing.

A full house of over 150 representatives from the Heartland's agricultural businesses, agencies and organizations listened to an agenda of perspectives from a panel of specialists. Mike Adams, of Agri-Talk radio, served as moderator of the event, opening the Forum by saying biofuel was among the most poorly and inaccurately reported topics of national interest.

In his keynote address, pre-eminent editor Morton Sosland, whose journals at Sosland Publishing have served the grain-based food industry since 1922, called for all sides of the debate to “rise above the fray.” Speaking with more than 60 years of experience and expertise, Mr. Sosland also said no one should be neutral on this issue.

Randy Schnepf, an expert in agricultural policy with the Congressional Research Service in Washington, DC, noted it was his organization's responsibility to remain neutral as it provided information in a non-partisan manner to Congress on a variety of issues under debate in the Capitol. In his overview of the situation he laid out an exhaustive but objective volume of data clearly illustrating the food and fuels issue is not something to be taken lightly or without examination.

The forum was structured so that both biofuels and food use advocates made their cases and answered queries from fellow panelists. Written questions were taken from the audience throughout the proceedings and addressed later in the program. Ken McCauley, recent chairman of the National Corn Growers Association, stressed the point he has been making for some time – that corn is abundant, growers are super-productive and ethanol has little to do with high food prices. Blake Hurst, first vice president of the Missouri Farm Federation, supported Mr. McCauley's position and added some levity to the discussion with his tongue-in-cheek description of the plight of theater popcorn suppliers and vendors.

Commenting on prices from the food industry perspective, Robb MacKie, CEO of the American Bakers Association, cited current circumstances as the most challenging for bakers since the 1970s. But he urged all involved to take a centrist stance on the question and “try to create reasonable solutions.” He called for greater imports of ethanol and other alternative fuels noting bakers use more trucks than any other business in the country. He also called for more basic

Impact of Market Turbulence on Agriculture is Topic for Dec. 11 Meeting

Dr. Bob Young, chief economist, American Farm Bureau Federation will be the featured speaker for the Council's December 11 luncheon meeting which will be held at the Savoy Grill, 219 West 9th Street, Kansas City, MO. Dr. Young will provide an overview of the nation's agricultural economy and discuss the impact of the general turbulence in the financial markets on agriculture. He will also be sharing his insights on what to expect from an Obama Administration on agricultural issues. Further details and registration are available on-line on our [website](#).

Nominations Open for Council Board

Council Chairman Bob Petersen announced at the group's November 7 meeting that he has appointed a Nominating Committee to nominate a slate for officers and directors to serve in 2009. The slate will be presented to the membership for a vote at the December 11 annual meeting. Chairing the Nominations Committee is Russ Weathers. Other Committee members are Gina Bowman, Mike Beam, Jack Dutra, and Tim Daugherty. Member suggestions for officers and board members should be forwarded to Russ by December 1 by [e-mail](#).

Board members are elected to serve two-year terms. Directors whose terms are expiring, but are eligible for re-nomination, include: Elvin Hollon, Agi Schafer, Sherene White, Diane Olson, Leslie Kaufman, Gary Reckrodt, Mary Jane Stankiewicz, Curt Blades, Harry Watts and Parthy Evans.

research to develop higher yielding wheat varieties and to improve production.

During lunch catered by the Golden Ox, the Honorable Thomas C. Dorr, Under Secretary for Rural Development, USDA, talked about some of the agriculture policies President Bush's administration championed.

Council Seeks Nominees for Agribusiness Leader, Council Volunteer of the Year

The Council is also seeking nominees for a Kansas City Agribusiness Leader and Volunteer of the Year, Chairman Bob Petersen told those attending the November 7 meeting. Tim Daugherty will chair a Council Honors Committee composed of Curt Blades, Steve Dees, Diane Olson, Russ Weathers and Bob Petersen. The group is asking for nominees for these two awards by December 1. Those suggestions should be e-mailed to [Tim Daugherty](#).

The purpose of the agribusiness executive/leader of the year award is to recognize an individual who has made extraordinary contributions to the area's civic community and economic development and is also an outstanding advocate for agriculture.

The purpose of the volunteer of the year award is to recognize a Council volunteer who has rendered extraordinary service to the group in fulfilling its mission and objectives.

Grain is Golden in China

Growing grain crops is critical to China's economic and societal agenda. "Increasing grain production," says Liu Jinghui, General Manager of China Marketing for John Deere, "is motivated by our desire to ensure food self sufficiency." With of a population of 1.3 billion people to feed, China devotes most of its arable land – 263 million of its 305 million cultivated acres – to wheat, corn and rye. Food grain, according to Liu, is a high agricultural priority and is highly regulated to secure the stability of the domestic food supply. "China works with the World Trade Organization and has opened soybeans and other vegetables for trade," he says, "but not grain."

Even though wheat can be cheaper to import than produce domestically, the Chinese have no plans to buy it from overseas markets. "Again, self-sufficiency is the key," Liu stresses. "Memories

East is East and West is West

China's Economy a World Player

-- Dennis M. McLaughlin, McKinley Communications, Inc.



Rudyard Kipling was pretty much on target in his Ballad of East and West – about the differences between Asia and the West. At least that was one impression Liu Jinghui, General Manager of China Marketing for John Deere, left Council members with at the conclusion of his overview of Chinese agriculture. He indicated China was not run by the "old generation of communists" anymore. And events unfolding at about the same time Mr. Liu was speaking at the Council's monthly meeting, a breakfast at the Hyatt Regency Crown Center November

7, backed that assertion up. The Chinese government was announcing a sweeping plan to aid its own economy in the face of the global economic crisis.

Ironically, though, while Washington's stimulus package strengthened U.S. bank balance sheets with infusions of government dollars, Beijing was calling on its state-owned banks and enterprises to pony up the capital for specific government infrastructure improvement – hoping these projects will stimulate its economy. Something of a turnabout in economic philosophy.

While some similarities exist, contrasts abound, and Mr. Liu used agriculture to illustrate his point. For example, the size of the land mass of the two nations and their total crop acreage is similar. But beyond that the differences are striking. China employs 40% of its 750 million labor force on farms compared to America's less-than-2%. There are about 250 million farms in China averaging about an acre in size, while 2.1 million U.S. farms operate on 499 acres. One Chinese farmer essentially works a single acre, while his American counterpart cultivates 155.

Although Chinese agricultural operations need to achieve scale and efficiency, according to Liu, his nation faces a more fundamental societal challenge: its enormous population. "Already millions migrate to the cities every year," he said. But, he pointed, out the cities can't absorb the 500 million people who would be pushed off the farms if mechanization were to reach a level comparable with the U.S. Liu further illustrated the situation by describing a hypothetical outsourcing of every single manufacturing job in Europe to China. "That would create 200 million jobs for our economy," he said, "but we'd still have 500 million idle or underemployed workers."

Liu was candid in telling how China has dealt with the inevitable problems presented by a population of 1.3 billion people. China has organized programs for continued rural settlement and manageable migration to the cities, he explained. National and local policies and initiatives include training rural workers for other occupations.

"In dealing with the huge population," he said, "the desire and will is there to make it happen, but the reality is another matter. Without a socialistic structure it couldn't happen. Socialism is the only way to establish stability."

Having said that, Liu added (perhaps deferring to the pejorative image Americans have of socialism, amplified in the recent presidential campaign), that China is trying to manage both socialism and capitalism. He indicated that China would adopt anything to keep things under control and organized. "We don't want to create chaos; we actually have a kind of capitalism," he went on. "We have a stock market and much of industry has been privatized; less than 30% is state-owned. We are not the old generation."

The Chinese government is playing a major role in promoting rural development, and articulates its efforts with this theme: 'Promote a Harmonious Society; Build a Socialistic New Countryside.' But it is backing that slogan up with some hard cash. China has more than doubled its farm investment and subsidies to \$90 billion this year compared to the \$35 billion it allocated to agriculture in 2005. Rural infrastructure development is claiming 82% of budget, and farmers will divvy up 18% for seed, fertilizer and machinery. Beyond roads, communications and irrigation systems, elevator and distribution facilities, some of the rural infrastructure funds have also been targeted for amenities like televisions, appliances and computers for individual farm families.

During the Q&A, one Council member made this observation about the differences: the U.S. subsidizes farms for efficiency and productivity, while China subsidizes farmers with consumer goods to keep down on the farm.

California Voters Approve Landmark 'Animal Welfare' Initiative

still linger among Chinese when wheat crops failed in Russia and with other trading partners and the shortages caused mass starvation in China." And they have about 500 million more mouths to feed since the last time that happened.

Scouting for the Next Secretary?

With the election of Democratic Senator Barack Obama as President, agriculture will soon be focused on speculation over who might be named as the next U.S. Secretary of Agriculture.

Sara Wyant, editor of the influential **Agri-Pulse** newsletter, lists the following as some of the names she hears most often for Secretary of Agriculture:

- National Farmers Union President Tom Buis
- House Ag Chairman Collin Peterson
- South Dakota Representative Stephanie Herseth Sandlin
- Former Texas Congressman Charles Stenholm
- Former Iowa Governor Tom Vilsack
- North Dakota Ag Secretary Roger Johnson
- Colorado Senator Ken Salazar

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Stafford Receives Honorary American FFA Degree

Tony Stafford, executive director of the Missouri Agricultural and Small Business Development Authority and division director of the Missouri Department of Agriculture's Ag Business Development, recently received the Honorary American FFA Degree – an award given to those who advance agricultural education and FFA through outstanding personal commitment.

The National FFA Organization says they "recognize those who have gone beyond the valuable daily contributions to make an extraordinary long-term difference in the lives of students, inspiring confidence in a new generation of agriculturists." The 81st National FFA Convention was held Oct. 22-25 in Indianapolis. For more information, visit www.ffa.org. Congratulations Tony!

-- courtesy of **Agri-Pulse** Newsletter, Sara Wyant, editor



Among 153 state ballot measures which faced voters nationwide on Tuesday, a controversial animal welfare proposal in California and four renewable energy proposals in California, Colorado and Missouri generated the most farm-sector interest. **California's Proposition 2 passed with a solid 63% "yes" vote, stirring fears in ag country that similar initiatives will now be headed to other states.**

Wayne Pacelle, the head of the Humane Society of the U.S., said last month that **he senses strong public sentiment for protecting animal welfare and that a California victory could lead to similar initiatives in other states that would cover other food-producing animals as well.** "We're in the fight of our life in California with Proposition 2," he wrote on his "blog."

Proposition 2 prohibits the confinement of farm animals in a manner that does not allow them to turn around freely, lie down, stand up, and fully extend their limbs. The measure also imposes a misdemeanor penalty and a fine of up \$1,000 or imprisonment in county jail for up to six months. It bans dense confinement for egg-laying poultry, gestation crates for sows and veal crates for veal calves. The new regulations, however, don't require compliance until 2015. Voters in other states have voted to eliminate calf and pig crates, but California's Proposition 2 vote represents the first time voters have been asked to eliminate the practice of confining chickens in stacked battery (small, confining) cages.

California's sharp divisions over the caged-animal proposal were demonstrated by over \$16 million spent on the Proposition 2 battle – and by editorials in competing Los Angeles newspapers. The *Los Angeles Times* concluded that "Though admirable, Proposition 2's ban on tight cages for hens could drive the egg business out of state," noting that "this ballot measure is really about the state's \$337-million chicken business." But even while it called on voters to reject requiring more freedom of movement for chickens, veal calves and pigs, the *LA Times* warned that "Although Proposition 2 isn't the answer, the egg industry is due for an overhaul, and chicken farmers should take heed. Polls indicate that this measure has wide support. If it passes, that will be in part because the egg industry either has been oblivious to consumer concerns or recalcitrant about coming up with its own solutions. Proposition 2 is proof that if farmers insist on mistreating animals, people will act."

The *Los Angeles Daily News* acknowledged that Proposition 2 would drive up egg prices but called for approving better treatment of farm animals. It noted that farmers would have until 2015 to comply with the new rules and that consumers have already expressed their views with their wallets: "Companies are already changing practices of their own accord due to consumer demand. Consumers in California in particular are flocking to eggs that are organic and that come from cage-free or free-ranging hens. Typically these eggs cost more."

The worst-case forecast of potential effects from Proposition 2 came from a May 2008 study by Promar International that was commissioned by Proposition 2 opponents. **The study estimated that impacts could include shutting down 95% of the California egg industry, eliminating 3,561 jobs and \$648 million in income, and a 75% increase in egg production costs by 2015.** But whether Proposition 2's potential impacts could turn out to be as devastating as the Promar study predicts, or somewhat less severe as foreseen by the UC-Davis University of California Agricultural Issues Center (AIC), or as minimal as the Humane Society of the United States expects, the California voters have approved phasing in new "Standards for Confining Farm Animals" by 2015.

Corridor Conversations: Trends and Issues in the Animal Health Industry

-- Dennis M. McLaughlin, McKinley Communications, Inc.



The Morris Animal Foundation is a 60-year-old work in progress. That's how its president and CEO, Patricia Olson, DVM, PhD, described the largest non-governmental, non-profit funding organization for companion animal and wildlife health studies during a presentation of the Corridor

Calendar of upcoming events

- **December 1, 2008** – recommendations due for nominations as Council Officers and Board members; recommendations also due for Agribusiness Executive of the Year and Council Volunteer of the year.

- **December 3, 2008** – Mo-Kan Chapter NAMA Event, 5:30 to 8:30 p.m. at the College Basketball Experience, inside the Sprint Center at 1401 Grand Boulevard, Kansas City, MO. Heavy hors d'oeuvres will be served along with a cash bar. For further details or to RSVP, contact [Tyler Kelley](#).

- **December 11, 2008** – Annual meeting luncheon, speaker is Bob Young, chief economist, American Farm Bureau Federation

- **January 22, 2009** – Annual forum on legal issues facing agriculture hosted by Shook Hardy & Bacon, 2:00 to 4:00 p.m., with a reception following.

- **February 26-27, 2009** - USDA's 85th Outlook Forum - Global Agriculture & Rural American in Transition. Crystal Gateway Marriott Hotel, Arlington, VA. For more information, visit their [website](#).

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Conversations. The event staged regularly by the Kansas City Animal Health Corridor took place at the Stowers Institute last month.



But in that 60-year span the MAF, founded buy Mark Morris, Sr., the nation's first exclusive companion animal veterinarian, has sponsored more than 1,500 research studies. Currently, its docket contains nearly 200 projects in six counties involving 50 institutions and schools dealing with 22 species. Of particular note, MAF has launched a global Canine Cancer Campaign to study the canine genome and designed to find a cure in the next 10 to 20 years. Cancer is the number one cause of death of dogs over 2 years old. The research is expected to have potential to significantly impact on human cancer treatments.

Dr. Olson mentioned the Morris Foundation was interested in teaming with companies representing the KC Animal Health Corridor. Practically speaking, she suggested companies here ought to be interested in prolonging animal lives because a recent ASPCA study showed that as pets got older people spend more money on them.

On the podium to discuss the R&D opportunities was a panel of animal health industry and academic leaders in the region: William Duncan, Ph.D., president of the Kansas City Life Sciences Institute; George Heidergerken, president and COO of Boehringer Ingelheim Vetmedica, Inc.; Ralph Richardson, DVM, dean of the College of Veterinary Medicine at Kansas State University. The MAF chair of the board of trustees Jim Dickie was also part of the discussion.

The panelists expressed their interest in developing cooperative ventures and partnerships, but drilled down on questions about how to deal with intellectual property, outsource research and produce the talent required to conduct the research. Dr. Olson made the point that MAF not only initiates and carries out various research projects but it also awards fellowship-type programs to veterinary students and graduates interested in learning more about a research career. "You can lecture all day long about the importance of research," Dr. Olson said, "but it won't inspire research vocations – but introduce students to a study and get them involved and you'll hook them."

FYI: Kiwi Milk Flowing in Missouri

-- Dennis M. McLaughlin, McKinley Communications, Inc.



Quietly, within the core of the nation's cattle industry where almost half of the fed cattle are raised, amidst the Animal Health Corridor's 125 animal health businesses – of which five are ranked among the 15 largest in the world – accounting for 33% of total global animal health care sales, the New Zealand dairy producers have set up shop with a sizeable dairy operation.

The New Zealand dairy industry might best be known for exporting around 90% of its production to overseas grocery shelves. But in the last five or six years, Kiwi investors have also shipped more than \$50 million in

capital to the U.S. – specifically into the Missouri dairy infrastructure. Who would have thought an island nation nearly in middle of the South Pacific Ocean would find kindred pastures in the middle of America?

Kiwi dairymen have put close to 10,000 dairy cows back onto Missouri's pastures, particularly in the southwest corner of the state. Many of the cows are Holstein-Jersey crosses and are part of 500 to 600 head farms. The New Zealand-owned animals represent about 10% of Missouri's dairy cow population.

The attraction the Show Me state holds for New Zealand dairy industry centers on a climate that promotes decent grass-growing and a good water supply. But land values might have been the deciding factor when the New Zealand producers decided to expand their operations 7,500 miles away and 18 hours behind their local time. While the Kiwis found Missouri soil, water and weather conducive to their grazing-intensive production style, they were cowed – so to speak – by the cheap land. Initially investors were looking at \$1,800 an acre. But they didn't flinch when actual prices were closer to \$3,000. The average price for dairy farms in New Zealand is more that \$16,000.

The New Zealanders appear to be situated in Missouri for the long haul. New Zealand's Tiller Investment group has started farms in southeast Missouri and is raising another \$12 million to build two more dairies. "Missouri has not seen this kind of investment in production agriculture within the past 25 years," said David Drennan, executive director of the Missouri Dairy Association in the October issue of *Dairy Today*. Source: **Dairy Today**, October 2008, Vol. 23,

Stinson Morrison Hecker LLP

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John Deere Agricultural Marketing Center

Elvin Hollon
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