

Agricultural Outlook Forum 2002

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NEW NATIONAL CENTER FOR VALUE-ADDED AGRICULTURE

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Hello, my name is Mary Holz-Clause and I am the Co-Director of the new Agricultural Marketing Resource Center, a new collaboration among four universities in cooperation with the United States Department of Agriculture, Rural Development.

I'd like to take you to our live newscasters, Aggie Market and Val U. Add to give us a brief update on the value added agriculture scene.

“Aggie, what's it look like out there?”

“Well, Mary, it looks like the value added ag sector is on a rapid expansion. If you look at North Dakota, for example, 248 of the 337 operating cooperatives are agriculture-related. Agricultural processing coops have the largest in-state expenditures at \$1 billion. Utilities, ranked second, only had expenditures of \$230 million. Total economic impact of cooperatives in North Dakota alone was \$5.2 billion, which translated to 42,000 jobs.

“That's right. These New Generation Cooperatives have seen both success and failure in North Dakota. American Crystal Sugar, the first NGC formed in the early 1970s, has seen its stock drop to less than 50% of their high just a few years ago.

“Turning now to the wheat industry, Spring Wheat Bakers initially was successful in marketing identity preserved wheat. However, they have shut down that division due to lack of sales. The coop incurred startup difficulties with the plant and financial losses. Approximately two-thirds of the initial capital investment has been lost.

“Not all these coops are failing. South Dakota Soybean Processors is generating profits in a tough market. According to chairman Paul Casper, the coop will return nearly \$5 million to members this year. Stock is currently trading at \$2.74/share. A related soybean oil crushing plant, Minnesota Soybean Processors, has obtained the needed equity funds to move ahead and will have the same management team as SDSP.

“Northern Produce and Snowflake are two of the four vegetable coops that started and closed in the 1990s. Failure of these coops was attributed in part to the several small, undercapitalized coops were formed, which flooded the market and competed against each other.

“As you can see from these examples, agricultural processing is a tough business, particularly for new ventures. What factors are creating a successful environment? Why

are some failing? Stay tuned for an update from the Agricultural Marketing Resource Center, a new resource for value added agriculture enterprises.

The Agricultural Marketing Resource Center brings together experts from Iowa State University, Kansas State University, the University of California and Oklahoma State University to collect and interpret information about value added agriculture. Our mission is to provide independent producers and processors with critical information needed to build successful value added ag enterprises.

We have several goals at the Center. First and foremost, we will create an electronic, web-based library for all producers and producer groups to access. Secondly, we will provide critical information on business principles, legal, financial and logistical issues for producer groups to consider. AgMRC will coordinate research and outreach support systems on value added ag enterprises. National specialists will be identified to provide resources for the producer groups on various ag commodities. Lastly, we hope to sustain the Center and become a long-term resource for producers to utilize.

Each partnering university brings a different expertise to the table. Iowa State University provides administrative leadership for the Center, as well as experts on corn, soybeans, pork and woods and biomass production. Kansas State University provides information on small grains, wheat and cattle. Oklahoma State University offers specialized services in food processing. The University of California provides expertise on fruits, vegetables and dairy.

The Center exists to assist producers in facilitating alliances. We hope to connect producer supply chains with processing activities, build additional capacity for producers and enlarge those network circles, creating a more profitable agricultural field.

It is not our intention to compete with private enterprise – we simply exist to assist the producers in their information-gathering process. We hope to become their first stop for resources and then be able to link them to additional resources they may need.

To date, we have been focusing our efforts on hiring and training administrative staff and content specialists on a national basis. Additionally, much work has been done on our Web site development and research. Our preliminary site should be up by March 1 and we invite you to visit us at www.AgMRC.com. Our first project was a cooperation with the Iowa Farm Bureau Federation to launch the Farmers Market On-line. This program allows producer groups to share a common “host” site and share the expense of secure shopping site and shipping center, but create their own Web pages to market their niche product. To date, we have six Iowa companies on the site, with several more on the way.

Value added agriculture involves high risk – a fact that needs to be recognized from the beginning planning session by any producer group with an idea. President John F. Kennedy once said, “There are risks and costs to action. But they are far less than the long range risks of comfortable inaction.”

However, Wayne Gretzky may have summed it up the best, “You miss 100% of the shots you never take.”

Thank you.