

NCDC-223 Inaugural Meeting:  
Advancing Research, Education, and Policy  
to Support Renewing an Agriculture of the Middle

University of Minnesota October 25-27, 2010.

October 25, 2010

In attendance:

Mike Duffy, Iowa State University  
Joe Colletti, Iowa State University  
Larry Lev, Oregon State University  
Steve Stevenson, University of Wisconsin-Madison  
Kate Clancy, MISA, Johns Hopkins University  
Jan Joannides, MISA  
Adam Diamond, USDA-AMS  
Fred Kirschenmann, Iowa State University  
Lauren Gwin, Oregon State University  
Hikaru Peterson, Kansas State University  
Clare Hinrichs, Penn State University  
Larry Burmeister, Ohio University  
Chuck Francis, University of Nebraska  
Rob King, University of Minnesota

We had a short early evening session, primarily focused on introductions and general discussion about our goals and purpose for the meeting.

October 26, 2010

A set of presentations and discussions focused on identifying key research areas for the future.

**Kate Clancy on Research Priorities Survey:** This effort was conducted under the previous project, NC 1036. First piece of survey research was done by Kate with funding from OFRF. She interviewed about 15 experts from around the country. Second piece supported by Alan Baquet (University of Nebraska) in his role as advisor to NC 1036. For this second survey, Kate interviewed many in this room. She asked for three specific research projects that would support Agriculture of the Middle (AOTM). 125 research ideas were submitted in response to this question. In a second stage, she sent the whole list back out to everybody and asked all to choose the nine most important of the 125 research ideas. There was an 80 percent response rate. Eighteen highest priorities emerge, with an additional 17 below that. All in all it was a highly iterative process. [Material summarized in two page handout distributed to group.]

Most people when asked for highest priority tended to think foremost of their own research issues and topics. Not so much looking at big picture. Respondents placed no/little emphasis on climate change or other big problems that are looming. It would be useful to try to lay energy-water-climate change piece over some of these research ideas (*this theme re-emerged later in the meeting*). Nadine Lehrer

assisted Kate with this effort. A classification system was developed with the following major categories: 1) Impacts; 2) Incentives; 3) Scale; and 4) Value Chains.

### Discussion

Kate notes benchmark in NRC 21<sup>st</sup> Century Sustainable Agricultural Systems report—it speaks of transformative research!

Chuck Francis— in agroecology there is now much talking about “food webs.” Question of how this relates to “value chains” (more business literature origins). Steve Stevenson notes “value networks” as potential framing. Discussion ensues about conceptual and empirical merit of chains, webs, networks for this group’s possible work going forward.

Rob King—on impacts. Climate change implicit in impacts/benefits of different ag production systems. Looking at impacts will get at climate change issues. Also suggests gathering info on contracts—formal and informal—that may embed sustainability requirements. CH: this gets at governance issues.

Larry Lev—Michael Rozyne (Red Tomato) talks about individual pieces vs. whole system.

Rob King—Oliver Williamson’s work provides a model for on how you choose based on transaction costs.

Steve Stevenson—Comments on how list of 18 research priorities do or don’t reach out to, create space for work with natural scientists. Does AOTM resonate, how can it be connected to those agendas? Kate will make sub-list of those other research priorities that didn’t make list of 18 that do reflect natural science, biological science inflected priorities and send to the group. Note that Kate did produce a Powerpoint on the research priorities survey, which she sent to this group. Chuck Francis suggests producing a one page OTA-type summary of results that can be distributed to funders and others.

Rob King—tying in potential landscape changes related to business model changes (e.g., Green Lands, Blue Waters initiative in Minnesota). Rob also referenced also fruit and vegetable study by Dave Swenson (Leopold Center study); one county in Iowa could produce the huge amount of veg and fruit sufficient to meet the needs for selected states in upper Midwest. This shows how the landscape effects may be relatively small.

Chuck asks about update of long ago Rodale Cornucopia studies—have they been done for various states? Discussion about Chris Peters’ studies for four states now (Kellogg funding) of four Kellogg study states—production-diet sufficiency matches. Rob mentions Erin Tegtmeier and MN graduate student doing study on beef production and consumption match in one region (SE?) of Minnesota.

### **Presentation by Fred Kirschenmann—Ideas to Work on as We Go Forward. Big Picture Issues We Need to Consider.**

Based on his 30 + years of involvement in sustainable agriculture, sees most efforts as assuming steady-state system, that is the assumption that the basic system is okay. Vast majority of public research money devoted to new tech and strategies to keep current system going. As Fred looks at future, doesn’t see that perspective serving us well. Resources to examine: Diane Dumanoski’s book, *The End of the Long Summer* (climate change implications we must consider; focuses on food and agriculture as affected by climate shifts); Julian Cribb, *The Coming Famine: The Global Food Crisis and What We Can Do to Avoid It*; Fred doesn’t agree with all in this book, but believes it is worth examining.

FK shares powerpoint (The Future of Sustainable Agriculture: The Key to Health and Prosperity) he presented at 2010 Ag Outlook conference (available at <http://ageconsearch.umn.edu/>). Topics include: structural changes in ag and farm sector, age distribution of farmers (decline in younger farmers suggests alarming decline in human capital in farming); benefits or not to farmers with crop price increases and relationship to their costs; choosing a marketing path (Michael Porter's notion of two ways to be competitive—compete on price; compete on differentiation, quality); Rick Schneider, Sysco, 2003 comment: "Our company's marketing strategy is based on memory, romance and trust"; Ag quadrants on 2x2 value, scale: Quadrant 1) specialty, Quadrant 2) opportunity, Quadrant 3) price and scale; Quadrant 4) death zone; scale related vs. scale determined; options for commodity family farmers in 'death zone'—converting to specialty, opportunity, or big price and scale options. "Opportunity" quadrant which combines differentiated with scaling up maps to AOM vision, priority, model. Diversity of options needed. Emerging example of success of AOM (the case study chains, also Heritage Acres, Tallgrass Beef); "Is it realistic?"—story of Earth's Best baby food.

#### Discussion:

Larry Lev suggests horizontal axis of typology should perhaps not be scale, but individual role of farmers vs being part of a collective, combining of farmers together. Adam Diamond asks whether individual vs. combined collective alone actually makes real difference; won't policy context and other issues matter; consider how poorly conventional dairies are doing. Discussion about supply control models. Rob King suggests that if we move everyone from "death zone" to "opportunity" quadrant, the market will crash, margins pretty thin up there; "profits in agriculture always tend to go to zero." Mike Duffy: Farmers get bigger not because it makes them more efficient, but because they make more money. Larry Burmeister: Are policies skewing how producers and consumers are moving within this system? Also are our knowledge systems contributing? Best we can do is carve out options? Or how do you construct a playing field where there are real and constructive options, as structured by policy? Kate Clancy: Huge problem is we don't have enough people with background to think about possible transformative policies that won't immediately be seen as black and white, one side against the other. We are seeing fairly old ideas being floated. Is this because there is not enough interest in agriculture? Need to get best minds to think what those policies might look like. Fred K: Notes since 2007-2008 food crisis there are actually more politicians engaged with and concerned about food policy ideas. Kate C: Questions whether the interest, especially of urban politicians, brings the needed savviness.

#### Presentation by Steve Stevenson: Four Areas of Research That Are Interesting.

- 1) Lower left hand quadrant—Steve suggests relabeling to soften the "Death Zone" to the "Troubled Zone." Our collective solution has been to move folks there to the "opportunity" quadrant. But Wisconsin economists looking at well-managed grazing systems suggest that lower left farmers can actually do just fine with commodity prices. Steve asks for any other models from the "troubled zone" where farmers are reducing costs, changing production system, stabilizing and surviving. Rob King cites examples of organic production system choice making the "troubled zone" more viable. Discussion about whether that is different, because they then get organic premium. Fred K: there may be opportunities for troubled zone farms to redesign production system to use less energy, save money. Steve notes prevalence of grazing in Driftless area across four states—environmental benefits, benefits to intergenerational transfer. Larry Lev suggests direct seeding might qualify as this sort of "troubled zone" model, but it may have output price advantages.

- 2) We haven't looked carefully enough at cases of the end customer in these value chains. Bon Appetit, Walmart, Four Seasons, Burgerville..... Ball Foods in Kansas City. Why and how might they connect with value chains?
- 3) What are the labor conditions throughout the value/supply chain? Are there sufficient well paid occupations throughout the chain, not just well-paid for farmers? Are companies along value chains taking seriously living wage and fair conditions issues throughout chain? Concerns about well-paid jobs in food service. Growing the artisanal sector (work of Harvard economist)—decent pay, highly skilled; what would it mean to grow a middle-artisanal higher value sector? Rob King: Problem with artisanal is that when it is successful, it sometimes gets automated or mass-oriented; consider flame-boiled burgers at Burger King. Treadmill of “artisanal innovation” being incorporated. Kate Clancy: May be a stock market question. Stay small and artisanal, because at larger level imperative to return profits to shareholders works against living wage to food service workers. Discussion about Food Alliance now seeking to certify supply chains: how will they do that for ADM? Does it get grandfathered in? Rob King: Options of employee ownership, e.g., Hy-Vee Supermarkets. Larry Lev: There are people who do this kind of research; maybe a need to recruit them into this area to work more closely with us.
- 4) Larger question: What about this notion that we can grow the artisanal sector? Maybe “artisanal” is not the best term. But is that viable in terms of larger social economy. Kate Clancy: There is a large literature on a piece of that. Hartmann typologies on consumer segmentation, demographics. Steve: can come at it from consumer side, but what about from business side? Fred K: This may get at “true cost of food” issue. Consider cost per calorie (work done by Chuck Benbrook) and US does not have such cheap food (23<sup>rd</sup> on an international list). And that doesn't even get at cost-per-nutrient-value. US may actually have cheap raw materials and cheap labor policy. Kate notes that much of this was nicely laid out in Browne et al.'s early 90s book *Sacred Cows and Hot Potatoes*. Rob K: our case study on Thousand Hills, aggregation they had to do, and what that ends up providing in incremental additional income for farmers—something, but not actually all that much. Steve offers that total margins may not be only thing for farmers, but greater stability of income is also a gain for value chain farmers. Larry Lev: Could compare food sector in France to that in US to understand more macro-structural questions around operation and impacts of particular commodity/more artisanal composition mix of food economy. Lauren: Studied question with meat processors, if you were going to get bought out or try to get money, what would you give up? Steve: New Season Markets in Oregon has just had outside investment; what does that entail, what contracts or stipulations? Rob: ESOP= Employee Stock Ownership Plan; Not much worker control, but it is employee ownership; Hy-Vee as example. Are there case studies by Management Schools on some of these types of businesses? (Idea for grad student: to search, assemble, any such work of entrepreneurial food systems, some of which might feed into and contribute to this work).

**Larry Lev: Need to take time now to identify major themes.** Three groups will break out: Social impacts/labor; Blue skies/landscape; Business models/ownership. Two other themes that are important and interesting, but not selected as discussion topics for this next block of time: Options for troubled zone producers and Value-added marketing.

**Report from Group on Blue Skies/Landscape:** Landscape level research is very important, but NC 1036/NCDC 223 members are generally NOT trained to do this type of research. As a group we could, however organize a conference to bring together those working on landscape issues and have them focus on AOTM type concerns. Conference to report out research that is relevant to this intersection and also to identify possible shared research agenda. Start with Green Lands, Blue Waters

initiative. Places like Ohio State and Washington State also have such researchers. Has there already been a conference like this? Get AOM message into such a conference. Possible natural science/landscape researchers: Laura Jackson, Paul Porter, Don Wyse, Casey Hoy, John Reganold, Phil Roberts, George Boody, Joan Nassauer, Heather Karsten, Laurie Drinkwater. Focus on the parts of the country producing commodity foods: Ask what would landscapes producing basic foods look like if they were producing in a sustainable way and yielding healthy outcomes? Are there conference grant opportunities?

**Report from Group on Social Impacts/Labor:** Many big ideas and questions some may not be immediately researchable: What values are integrated into the value chain and at what points/nodes in it? Who's exploiting whom?! Came up with two concrete ideas related to research ideas on labor in values-added chains. **First** re. AOM case studies: To what extent is labor—use, needs, constraints, process-- evident and focused on as part of AOM case studies? Go back and tease out its place in those case studies. Ask in follow-ups how social justice issue was or was not addressed and at different junctures in development of the enterprise. Steve says that most of chains studies were producer focused, used family labor, so such labor questions not as germane. Note from Larry L on Country Natural Beef, issues with UFW relative to their CNB processor: Transparent supply chains can have up and down sides, customers know you for good, but also for related “bad” things that touch your business. **Second**, look at how fair wages at different stages in supply chains play out in different ways in terms of impact on the end price. Look at how some of the NGOS are working the issue of labor conditions, social justice related to the food system. Further question: What is impact of new health care reform on small/mid food AOM businesses? Look at Ag Justice group/Domestic Fair Trade. Impacts of possible energy policy (e.g., carbon tax) on workers?

**Report from Group on Business Models/Ownership:** As value chain enterprises develop, what have been the decisions/choices/opportunities in terms of finance, business organization? What are the structural change challenges? Perhaps leadership succession, issues and challenges? Rob K: Mike Cook at Missouri did series of interviews with founders of 60 new generation cooperatives; some of that research is published. Look at value chains that have failed; this would require some triangulated accounts. Finally, what would it take to get beyond case studies? Focusing more on businesses farther away from farm production. Consider differences between public and private companies. Look at these issues from vantage point of other drivers (e.g., from a buyer like Chipotle or a Bon Appetit). Rob K: To what extent are these value chains creating radical change or not? But if they grow, do they then tend to reconfigure? Need for public funding if you are developing management intensive systems, more so than for capital intensive systems that are selling a product?

**Group Phone Conference with Suresh at USDA-NIFA:** Suresh: AFRI-RFA expected to be published soon, maybe early in December, according to Beachy. Beginning Farmers and Ranchers. .... Suresh also works with SBIR program, have rural development component, next RFA in June. But gets very few small/med ag business applications. This year joint program with NSF on disaster-resilient rural communities. Selected 7-8 grants. Applications from rural sociology and agricultural economics needed, but NSF focused more on methodological aspects and empirical component, less on application. Room for a wide variety of topics—social sciences and engineering. Next RFA coming on that from NSF, to be reviewed by both NSF and USDA. Recommends bringing in statistician for surveys (quantitative methods favored); this seems to be NSF's priority. Q from us: What's going on with “reintegrating” research/Extension/education within the small and mid-sized farm program? A: I cannot answer the question right now. If it does not get reintegrated, he suggests writing your comments and send in to USDA. That may have to happen again as it did last year. Current year's RFA is more or less in process

though not released. Q: With NRI, there had been money for conferences? Is that still true? A: Any AFRI program has conference money as available. Shorter application, with every AFRI program, up to \$50 K. They had about three requests for conferences. Suresh suggests sending feedback on experience with being reviewed through this year's process. Q: Is challenge area approach to funding vs. foundational likely into the future? A: YES. However, we don't have next budget yet. Don't know it will be there. Hoping it will be there. Suresh: Two grantsmanship workshops scheduled, coming up, in December in DC. Q: What disciplines on small and mid size panel review? A: 5 economists, 6-7 rural sociologists, a few animal scientists, a few crop scientists, perhaps alternative energy, crop scientists. Two non-academic—one USDA, one ?. Q: Any changes on organic side in terms of calls that will come out? A: Same more or less. Q: Do you have information on success rates for your programs? Success rates stable or declining? A: Number of applications lower than I expected for my two programs. Expected to be flooded. Last year small and mid farms—80+, Rural development two years ago—40+. Lower this round. Suresh thinks challenge grants may have siphoned off some potential applicants who found them attractive (bigger and longer) relative to foundational grant areas. Q: Are any foundational programs likely to go away? A: No. Q: Does small and mid-size farms include attention to supply chains? A: Oh yes. Q: Are small and mid-size farms and markets & development together or separate in new RFA? A: You will see when the RFA comes out. Q: Are there any research areas that the panel is surprised they are NOT getting? A: Not really, but we didn't see much on rural design—planning, landscape architecture. Suresh: Saw some projects this year on local food systems. Q: In the landscape call, would there be interest in landscape and eco-system services. A: Yes, very much.

After the call, question as to whether individuals or this group should send letters of concern if integration remains out of the RFA for small-mid farms and ag prosperity. Decision: Yes, on own.

**Session with Louise Letnes, Applied Econ UM librarian on AgEcon Search:** This archival database currently has 42,000 docs from all over the world with so all available in full text pdf versions that can be downloaded via the web. See URL: <http://ageconsearch.umn.edu/>. Have a statistics counter, to note number of downloads. UMinn assumes institution sending material has done IP on the material. The archive includes "gray literature," conference papers, various small press publishers now; papers beyond Minnesota and upper Midwest, including Europe, Asia, Africa. Is open to being a repository for materials from whatever multi-state project emerges from NCDC223. Doesn't have to be strict ag econ material, but relevant to that general domain. You must be comfortable with it being on Ageconsearch.

Waite Library is U. of Minn—Dept of Applied Economics Library. Can help you identify materials, even if as an outsider, you don't have privileges through U. of Minn library system.

See also Food Industry Center site for U. of Minnesota: <http://foodindustrycenter.umn.edu>.....

**Joe Colletti on administrative options/issues/moving forward with NCDC223:**

NCDC has 1-2 years to be in development committee status. After 1 or 2 years, the group may choose to stop and disband. Possibly members would get together informally perhaps through another context. OR the members could decide to apply for another NC multi-state research project. OR the members could apply to become an NCCC (North Central coordinating committee on this topic). OR become NC-ERA (Education/Extension and Research Activity). A research project is seen as having more rigor, codified objectives, etc. There is a method to have members from non-Land-grant universities and institutions too.

In terms of getting a new project approved it is most important to work on issues and justification and objectives. The review committee requires clear, doable objectives. Review committee became more rigorous in last five years, asking if you have right people signed up. Having too many objectives for five years can be problematic—not likely you would be able to get all done.

Do we want to go ahead on a multi-state? Can we go ahead? Joe C.: Do you have leadership figured out? Note too there is a three year review now on multi-state projects and administrative adviser weighs in at that point (more accountability than in the past perhaps).

Can we put together people to do the writing over the next nine months? Can we have a meeting in early October, but having some of the writing done prior? Christina Hamilton at NCRA/NIMSS may be able to help us identify key projects in the system we should be aware of in writing this project.

Rob King: Could focus objectives on developing typologies – this is an example of some work that is not necessarily dependent on larger external funding. E.g., working from a library of inter-organizational agreements, how do you do a cost-plus agreement? Inventory and classify arrangements, agreements. Do some typologies of chains. Steve: Opportunity to fill out value chain piece, including the labor piece. Chuck: eager to see landscape related objectives.

Proposal to meet Monday, October 10-12 in 2011 in MPLS/StP, hosted by Rob King again here. Question as to whether we would meet here at Dept of Applied Econ or in meeting rooms at the faculty club (would be slightly higher registration fee for meeting, but some possible advantages).

October 27, 2010

#### **Kate Clancy: Policy update**

Farm Bill machinations beginning amidst lots of uncertainties, except for certainty that funds are lacking . Unfortunate tradeoffs in the offing: for example supplemental nutrition vs. environmental programs? Note 70 percent of Farm Bill is for food stamps. Peterson from Minnesota already talking about new “risk insurance payments”, which would effectively be a continuation/substitution for direct payments. No new money. For any baseline program to come back into next Farm Bill, they have to be offset by something else, because of the budget deficit. Agenda for next Farm Bill for Sust Ag community: there are 38 programs that are unfunded or expiring after 2012. Much work for sust ag community will be to get unfunded baselines back. Means there won't be new money, or even human power to lobby for new programs. Largest one that is vulnerable: Wetland Reserve Program (about \$2.5 billion of the \$10 billion in unfunded baseline programs) is at risk; Ag Disaster Assistance, too. Programs without funded baseline: new Rural Entrepreneur Micro-Assistance Program; Specialty Crop Research Initiative (\$230 million over 5 years will need to be brought back); Beginning Farmer and Rancher R&D program; new organic ag research and extension; much bioenergy; FM promotion program; Organic production and marketing data; outreach for socially disadvantaged farmers. Kate notes some of these programs are in “less trouble” than others.

From an AOTM policy meeting that Kate attended: If we can't get new money or programs, then are there administrative changes that don't have to go through legislative process or require new money? Some discussions now with key actors at USDA. Other possibilities of things that can be worked on: some issues that tie public health to the Farm Bill. RWJ money (e.g., to Mary Storey UMN) has raised expectations of public health community regarding sustainable ag and

food policy and programs, but many may be naïve about Farm Bill politics. Kate believes basic structure of Farm Bill not likely to shift, due to deficit. National Sustainable Ag Coalition got pot of money to think about public health in the Farm Bill. About 30 public health type groups want to work on Farm Bill, but their positions, level of sophistication on this quite variable (not auspicious for solid, effective coalition?). History of logrolling of anti-hunger groups with commodity groups is significant—that political dynamic is critical here. But they are not going to give up huge \$\$ for food stamps to fund farmers' market programs.

Kate wishes to make plea to all here about research title of Farm Bill—at an invitation-only release on NRC 21<sup>st</sup> Century Systems Agriculture policy related issues came up. There are policy pieces in that report. Ideas on policy research to get to a transformative agriculture. Write a letter to address research titles of Farm Bill.....to head of House Ag Committee, Senate Ag Committee, administrators. There is a need to push the importance of public goods research. Rob King mentions Phil Pardey's book on public investments in agricultural research, Persistence Pays (gets at benefit-cost ratios of public research; also see his book Slow Magic, which is on-line).

### **Planning for preparations for possible project:**

Objectives are important and don't want to have too many of them. Question: Can we have contingent objectives – that is objectives that will be achieved ONLY IF funding is obtained? Shoot for 3-5 objectives. Rob King: would be good to have AFRI proposals related to this developing project underway, which could be referenced in proposal.

We worked on ideas & starter language for proposal to do next project. Focused on the five major areas/objectives that were proposed the previous day--

Larry Lev agreed to be the overall organizer for the effort.

#### 1. Objective related to labor issues: Larry Burmeister/Adam Diamond

Identify explicit and implicit claims about equity outcomes for labor as incorporated into values-based value chains.

Ho: Such claims are subordinated to other chain performance goals.

Ha: Such claims are integral chain performance goals.

#### 2. Objective(s?) related to landscape issues: Chuck Francis

Engage more people working at landscape level on agro-ecosystems with Agriculture of the Middle research priorities. [AFRI conference with those scholars?]. [look at landscape impacts of 4 AOTM case study chains] Is it possible to measure the environmental impacts of these values-based chains? Is value chain going to allow people to farm in



environmentally-beneficial way? AND is there geographic clustering of suppliers, services clustering, chains clustering (spatially)? Effects of that?

Ho: Growth of values-based value chains will have no significant environmental benefits at the landscape scale.

Ha: Growth of values-based value chains will have significant environmental benefits at the landscape scale.

3. Objective related to Business Models/Ownership: Steve Stevenson/David Conner/Rob King

Examine back-end of chain (i.e., buyers, end of supply chain) to learn what business dynamics and logics they are working under, how they see values-based value chains advancing their business goals.

Ho: Retail and food service procurement practices are not a significant barrier for values-based value chains.

Ha: Retail and food service procurement practices are a significant barrier for values based value chains.

Also, get some historical data from longer term value chains on profit margin comparisons selling through the value chains vs. not. What are the identifiable stages of growth and challenge for successful (and unsuccessful?) values-based value chains? How do business practices and organizational structures evolve? How does “hybridity” of chains change over time?

Create/compile a library/inventory of organizational forms and contractual arrangements for values-based chains. Typologize.

4. Objectives related to “troubled zone” farmers”: TBD

How can farmers transform the “troubled zone” to a space of possibility? This would involve strategies other than values based chain participation (cost reduction, changing production practices, resource use, rural livelihood diversification). Are these deliberate decisions or happenstance?

5. Objectives for value-added marketing: Larry Lev/Hikaru Hanawa Peterson

Work with Appendix A from case studies, and see if those general conclusions hold across a larger set of value chains. [think, work beyond NC-1036; but also build on ERS study]

From ERS study: builds on NC-1036 and Wageningen Nourishing Networks.

Should there be a discrete policy objective for new project?

Discussion to select a title for the new project? Check with Joe on strategic aspect of title, how much it should follow or depart from NC-1036.

NCDC 223 title: **Advancing Research, Education and Policy to Support Renewing an Agriculture of the Middle**

Discussion about a new title:  
(concerns to include? -- Organization, Performance, Impacts, Policy)

**New Project: “Renewing an Agriculture of the Middle: Value Chain Design, Policy Approaches, Environmental and Social Impacts”**

Or substitute: Business Structures for Value Chain Design. Is “enterprise” a useful term here

Meeting adjourned about 11:45 October 27.