

Division of Marketing  
Agricultural Development and Diversification (ADD) Program  
1996 Grant Final Report

Grant Number 11025

**Grant Title**     Improving the Competitive Position of Wisconsin's Animal Industry -  
New Dimensions and Directions

**Amount Awarded**     \$19,850.00

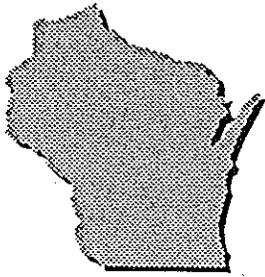
**Name**             William Geary

**Organization**     Wisconsin Agribusiness Council  
Madison

**E-Mail**

**WEB**

Department Contact: DATCP - Marketing - ADD Grants  
PO Box 8911     Madison, WI 53708-8911  
Tel: (608)224-5136  
<http://datcp.state.wi.us>



# CONSORTIUM OF ANIMAL AGRICULTURE RESOURCE DEVELOPMENT (CAARD)



519 NORTH MONROE STREET • WATERLOO, WI 53594 • PHONE (414) 478-3852 • FAX (414) 478-9586

November 14, 1997

## FINAL REPORT

WDACTP Contract No.: 11025

Project Title: Improving the Competitive Position of Wisconsin's Animal Industry: New Dimensions and Directions

Contractor: Wisconsin Agribusiness Council

Description of the Original Intent of the Project:

The project was to organize and hold an Animal Agriculture Leadership Conference bringing together the key leadership of Wisconsin's animal agriculture industry. The conference was designed to facilitate the development of strategies and action plans that address the challenges facing Wisconsin's animal agriculture industry.

Summary of how the Project Improved the Competitive Position of Wisconsin's Animal Agriculture Industry:

In order to improve the competitive position of Wisconsin's animal agriculture industry, it is first necessary to identify the barriers currently preventing us from being competitive. Once the barriers are identified, strategies and action plans can be developed to address those barriers.

The "*New Dimensions and Directions*" Conference was the forum by which Wisconsin's animal agriculture leaders identified the challenges and opportunities facing the industry. Over 100 of Wisconsin's animal agriculture leaders gathered for a two-day conference on February 25-26, 1997, in Wisconsin Dells.

The Conference challenged these leaders to evaluate four areas critical to animal agriculture in the state: environment (business and natural), marketing, production, and finance. These leaders heard keynote addresses from both in-state and out-of-state animal agriculture experts and then broke into small, facilitated discussion groups to identify critical issues within each area, and to brainstorm possible solutions to these issues.

The conclusions of the small group discussions are included as part of the conference proceedings. These proceedings are attached as part of this report.

Now that the critical issues have been identified, an Animal Agriculture Leadership Committee has been formed. This Committee, comprised of representatives of 40+ animal agriculture organizations, has met and prioritized the issues identified at the "*New Dimensions and Directions*" Conference. The next step the committee will undertake is to develop the strategies and action plans to address the top 4 critical issues.

Evaluation of the Results and Benefits of the Project including meeting Original Objectives:

Original Objectives:

1. To improve the competitive position and economic viability of Wisconsin animal industries.

As stated above, in order to improve the competitive position, the barriers to being competitive must be identified. The conference identified these barriers and has created a base from which the industry can work to improve our competitiveness.

2. To provide a strategic leadership forum to enable agriculture, business, government, education and legislative leaders to focus on critical industry challenges and concerns.

As stated above, the conference was the forum which brought together these leaders to identify the industry's critical issues. The identified challenges and concerns are listed in the conference proceedings.

3. To assist in developing action programs to reverse declines in animal numbers and retain the farm, agribusiness, food and agriculture jobs in Wisconsin.

Issue identification and prioritization are the first steps in developing a strategic plan and action programs to reverse the downward trend in animal numbers. These first steps have been accomplished and the Animal Agriculture Leadership Committee has met and begun the work of developing the action programs.

4. To provide out-of-state knowledge based on successful experience and illustrate proven models for animal production and marketing technology in the future.

The Conference brought in leaders from several other states including Bruce Brinkmeyer from Farmland Industries, Tom Reed from the Michigan Livestock Exchange, and Dennis Dipietre from the University of Missouri. These speakers provided powerful insights into the successes seen in other states.

5. To review out-of-state competitive challenges and identify regulatory and environmental changes needed in Wisconsin.

Both the out-of-state speakers and the in-state speakers whose businesses cross state lines were helpful in identifying the barriers to being competitive in the regulatory and environmental areas. Several issues are identified in the proceedings, but one issue specifically, the USDA Meat Inspection Act.

6. To enhance the level of financial management and marketing knowledge necessary for profitable expansion of hog, beef and dairy numbers.

The Conference clearly identified the need for producer educational programs. In fact, the Animal Agriculture Leadership Committee ranked this as one of its top priority issues:

*"Provide producer educational/training programs to develop personal, business, management and strategic leadership skills to effect long term change."*

7. To identify and highlight successful production and marketing models in Wisconsin which could contribute to stronger beef, pork and dairy industries.

Conference attendees identified the need to develop and publicize models for success. (See the conference proceedings Environmental Team Discussion and Conclusions.)

Description of Information or Educational Materials Developed through the Project:

The *"New Dimensions and Directions"* Wisconsin Animal Agriculture Leadership Conference Proceedings are included as part of this report.

Future Projections resulting from Receipt of Grant Funds:

In order to effect a change that will turn around Wisconsin's declining animal agriculture industry, the industry with all its components must unite. Only by working together and supporting each other will the industry be able to reverse the downward trends and expand. The efforts of the Consortium of Animal Agriculture Resource Development (CAARD), including this conference, have been an overwhelming success in bringing the animal industry together. Contacts made at the conference between individuals and organizations have already sprung into partnerships and team efforts. CAARD and the alliances built through its projects will continue to be a springboard to unite the industry and improve the competitive position and economic viability of Wisconsin's animal agriculture industry.

**"New Dimensions  
and  
Directions"**

Wisconsin Animal Agriculture  
Leadership Conference

**Proceedings**

February 25 - 26, 1997

## "New Dimensions and Directions"

### *Coming Together to Identify the Challenges and Opportunities.*

In February of 1997, over 100 key leaders from Wisconsin agriculture...producers, agribusiness, government and agency representatives came together to discuss the challenges facing animal agriculture in our state. Under the leadership of CAARD, the Consortium of Animal Agriculture Resource Development, funded by an Agriculture Diversification Development grant from the Wisconsin Department of Agriculture, Trade and Consumer Protection, these leaders spent two days identifying obstacles and opportunities facing Wisconsin's animal agriculture industry.

Discussion segments were divided into four sessions: *Environment and the Livestock Industry, Expanded Markets for Wisconsin Livestock, Retooling Animal Agriculture Production, and Financing for Profitable Livestock Enterprises.*

The Conference began with the keynote speaker, Thomas L. Lyon of Cooperative Resources International, reminding all to "learn from the past in jump-starting the future." He emphasized that the task this group was about to undertake "must account for trends in capital formation and availability, investment opportunities outside agriculture, land use policies, consumer demographics (age, income, race), competitive markets, international trade, government policy, available labor and wage levels, and the consolidation of the private sector."

His agenda for progress in agriculture and rural life in Wisconsin included:

- All Wisconsin citizens must gain a greater appreciation for the balanced utilization of our natural resources and production agriculture as a major source of income and jobs.
- Economic growth, measured by urban sprawl and asphalt ribbons, must be replaced by the cleansing and rehabilitation of our areas of decay.
- Producer success must be measured by the profitable production of a quality product in an environmentally responsible manner.
- We must foster reinvestment in agriculture and enhance opportunities for expanded risk-taking.
- We must be more aggressive in seeking new businesses -- producers, processors and service agents.
- We need a rebirth and renewal of communitarianism to enhance the quality of our lives.

In wrapping up, Lyon stated "If we are going to survive and succeed, we are going to have to work smarter, plan smarter and respond smarter to the rapid and radical changes taking place in the world around us. And, the first thing we need to do is face the realities of the future."

The *Environment and the Livestock Industry* Session of the Conference dealt with both the economic as well as the natural environment. The opening speaker was Douglas Jackson-Smith of the UW-Madison Agriculture Technology and Family Farm Institute.

Dr. Jackson-Smith discussed the changing structure of Wisconsin's livestock production, the environmental implications of animal agriculture, and land use as it relates to agro-tourism. After these opening remarks, the leaders divided into two discussion groups which ran concurrently. "Barriers, Taxes and Regulation" was led by Dennis Frame of UW-Extension Trempealeau County and "Can People and Animals Co-Exist - Land Use" was led by Jackson-Smith.

Frame identified the following barriers to livestock production: cost of housing systems, resale demand for existing operations, topography, winter manure handling, rural non-farm residents, zoning issues and animal rights. Regulation discussions focused on the permit process, nutrient and pesticide management plans, groundwater and surface water contamination, feedlot ordinances and air pollution. The various taxes examined included school, property, sales, gas/fuel, income and capital gains.

Jackson-Smith provided an overview of trends in Wisconsin land use as well as efforts that have been made to preserve a viable commercial farm sector here.

After the opening remarks of the workshop leader, small groups were formed and participants, with the aid of a facilitator, went through a process of identifying and prioritizing the issues and as time allowed to brainstorm solutions. A summary of the conclusions of the Environmental Team discussions is shown at the right.

The *Expanded Markets for Wisconsin Livestock* segment began with a panel discussion. Presenters included Bruce Brinkmeyer of Farmland Industries, Norval Dvorak of Packerland Packing Co., and Don Storhoff of Foremost Farms USA.

Brinkmeyer's comments were targeted towards new markets for Wisconsin hogs. Farmland's plan centers on independent producers forming alliances and creating production communities which have access to inputs and markets. He stressed that we need to look at markets beyond the buying station, determining what consumers want and developing markets for retail, food service, and export.

He emphasized that there are new opportunities in the pork industry in the form of new entry options, competing opportunities, contract production and standardization of building designs, animal management and financing. Long term alliances, he noted, provide multiple pricing options; competition at the consumer level, sharing of carcass requirements and results, improved product quality and additional meat market share.

Dvorak commented on new markets for Wisconsin cattle. He opened by saying that "Change in agricultural production is evolutionary rather than revolutionary and likewise is the marketing of agricultural products." The market place, as impacted over the years by labor and transportation costs, consumer demand and convenience, has directed change in the industry and will continue to do so. The packer-processor needs to be innovative...creating new products, developing new cuts, and reading the needs of today's consumer.

The export market means opportunity for the Wisconsin dairy beef industry. The holstein, with its homogeneous nature, fits well into foreign market demand. There is opportunity if we will fashion our genetics and feeding practices to conform to the changing market.

Storhoff concentrated on new value added products for the dairy industry. Methods being used

---

## Environmental Team Discussion and Conclusions

### Wisconsin's Livestock Industry needs to...

- Communicate a positive message.
  - Become involved in land use planning.
  - Inform the public and improve community relationships.
  - Educate producers about risk management.
  - Examine environmental and zoning laws to identify/isolate obstacles to growth.
  - Develop and publicize models for success.
  - Develop mentor and apprenticeship programs to promote entry.
  - Provide estate planning to transitioning farmers.
-

to produce value added products include new and varied flavored products, changes in shape or form of traditional products; the development of specific functional properties, i.e. the desired melting or non-melting of cheese, nutrition, fractionation into individual components and the recovery and use of previously wasted solids. He pointed out that future opportunities to add value to dairy products depend on success in producing neutraceuticals or foods with disease prevention capability.

Following the formal presentations, Daryl Buss, UW-Madison School of Veterinary Medicine, led a question and answer segment. Participants were again divided into small, facilitated discussion groups for issue identification and prioritization. The results of the small group discussions for this segment are at the right.

### *Learning from Others -- The Michigan Experience*

Leading the evening session was Tom Reed of the Michigan Livestock Exchange. Reed discussed the revitalization of animal agriculture in Michigan. The objectives of the Michigan Animal Initiative were to:

1. Modernize animal industry facilities at Michigan State University (MSU).
2. Attract top faculty to MSU.
3. Expand programmatic support for animal agriculture.
4. Revitalize research programs toward Michigan needs.
5. Strengthen Extension impact on animal agriculture.
6. Strengthen the teaching of tomorrow's animal industry leaders.
7. Expand agriculture's contribution to Michigan's economy.

Michigan realized the following results from this initiative:

- ◆ Organizational Changes
  - a. Restructuring of Extension field staff
  - b. Specific commodity advisory committees formed

---

## **Marketing Team Discussion and Conclusions**

### **Wisconsin's Livestock Industry needs to...**

- Examine various opportunities for partnering including alliances, networking and joint ventures.
  - Explore and disseminate information on marketing options including hedging/contracts, novel markets, direct marketing, new products and exports.
  - Initiate pilot projects and mentor programs to promote successful marketing strategies.
  - Provide a dependable supply of higher quality, uniform products.
  - Change the USDA Meat Inspection Act to enable all Wisconsin plants to ship products out of state.
  - Update current and attract new slaughter and processing facilities.
  - Know their customers' needs and wants.
-

- Developed priorities for dairy, beef, sheep, swine, poultry and equine
- c. Programmatic leadership for applied research and extension
  - Animal Industry Coalition formed
- d. Industry alliances formed - Swine, Beef, Sheep
- e. Reconnect faculty with industry
  - Improve communications-Michigan Dairy Review
  - Industry representative on search committees
- f. Team Efforts
  - Reconnected field staff and campus faculty

◆ Facilities - Funding of \$69,650,000

Office Complex, Education Center, Infectious Disease Facility, and Research Farm Facilities.

◆ Programmatic - \$4,033,000

New faculty positions, Extension field staff, support staff, graduate assistantships  
Operating funds - \$1,103,500

Following Reed's presentation, a reactor panel, facilitated by Roger Wyse, UW-Madison College of Agriculture and Life Science, discussed the relevance of the Michigan experience to Wisconsin's animal industry. Panel participants included Ben Brancel, Wisconsin Legislature; Joe Tregoning, Wisconsin Department of Agriculture, Trade and Consumer Protection; Jim Kurtz, Wisconsin Department of Natural Resources; and Phil Albert, Wisconsin Department of Commerce.

The second day of the New Dimensions and Directions Conference opened with the *Retooling Animal Agriculture Production* session. Dr. Dennis DiPietre, University of Missouri-Columbia, addressed the participants highlighting ten characteristics of successful producers.

1. Successful Producers will be Knowledge-Based
2. Successful Producers will be Final Consumer-Oriented
3. Successful Producers will be Interdependent (Relationship Oriented)
4. Successful Producers will Employ a Sustainable Growth Rate
5. Successful Producers will create High Productivity/Low Variance Production Systems
6. Successful Producers will know the importance of Location, Location, Location
7. Successful Producers will be Environmentally Sustainable
8. Successful Producers will exhibit Flexibility and the Willingness to Change
9. Successful Producers will Develop Effective Marketing Plans
10. Successful Producers will be Benchmarking their Business

Following DiPietre's presentation, participants broke into 5 discussion groups focusing on "Retooling Animal Agriculture" led by DiPietre; "Integration in Animal Agriculture" facilitated by Pat Solheid of Jerome Foods; "Food Quality and Safety" led by Dennis Buege of UW-Madison Department of Animal Sciences; "Human Resource Management" facilitated by Bob Lenburg of Human Resource Group; and "Research/Educational Needs for Advancing Animal Ag" led by Bob Uphoff of Uphoff Ham and Bacon Farm.

Solheid is the Director of Human Resources at Jerome Foods. In discussing "Integration in Animal Agriculture," She stated that "Consumer's changing food consumption patterns will demand that food production systems are dominated by firms which are vertically integrated." The benefits of integration highlighted by Solheid included the ability to:

- ★Respond to consumer demands.
- ★Lower production costs.

- ★ Decrease farm production risks
- ★ Build closer relationships
- ★ Increase control over quality and quantity
- ★ Develop production and market strategies
- ★ Enhance control of food safety
- ★ Increase ability to comply with new and tougher regulations, and
- ★ Compete more effectively in the global economy.

Buege stressed that "Food safety and quality issues are among the most important ones facing the United States (and Wisconsin) food production systems."

Some of the important issues that were discussed include: food-borne illness, BSE, pesticide residues in plant products, the impact of larger-scale agricultural operations, the nutrient content of animal products and their effect on human health.

Lenburg focused on the human factor when his group discussed human resource management. After reviewing the history and current employment statistics in Wisconsin, the group focused on farm labor and discussed housing, training, transportation and communication as well as compensation, benefits and succession planning.

The conclusions of the production discussion groups are listed above.

*Financing for Profitable Livestock Enterprises* was a panel presentation facilitated by Gary Rohde of UW-River Falls, College of Agriculture. Panel participants included Bruce Jones of UW-Madison Center for Dairy Profitability, Bob Doane of Agribank ECB and Phil Harris of UW-Madison Department of Ag and Applied Economics.

Jones concentrated his comments on financing and risk management. He indicated that the key requirements for growth in the industry are management, labor and

---

## Production Team Discussion and Conclusions

### Wisconsin's Livestock Industry needs to...

- Develop a support network for siting new livestock operations.
  - Explore integration to attract new production systems to the state.
  - Provide farm tours which demonstrate efficient, profitable production.
  - Help producers develop personal business and management skills as well as strategic leadership skills to effect long term change.
  - Examine available training programs to determine if they are adequately funded and effectively coordinating their efforts.
  - Determine if training programs are utilizing the newest technology, the best delivery methods, and helping producers to be competitive and profitable.
  - Develop strategies to attract and retain a quality, affordable labor supply.
  - Insure food quality and safety from farm to table.
  - Determine specific research needs that can make Wisconsin producers competitive and profitable.
  - Provide coordination and cooperation between agricultural colleges and other state educational agencies to maximize the use of limited funds and staff.
-

capital investment. He stated that "the structural changes that have been taking place in agriculture... have resulted in a migration of farm families out of agriculture. At the same time... equity has also been flowing out ... as people have sold farms and then used the proceeds... to fund consumption (retirement) or purchase alternative investments." To counter this trend, we need to "consider public policies that either encourage the flow of capital into the industry or retard the flow of capital from the industry." Jones suggested possible tax exemptions or deferments to farm families who are trying to capitalize their farm businesses with non-farm incomes or to non-farm taxpayers who keep capital in agriculture.

He also identified the following challenges for lenders in financing agriculture in the future:

1. Brokering capital packages versus loans.
2. Finding new ways to cover risks that were previously assumed by government.
3. Give customers ready access to risk management tools that are needed to control the business risks that would typically cause a business to fail.
4. Find ways to diversify their loan portfolios, even if it means trading loans with competitors.
5. Finance the entire industry versus a single component of the industry.

Doane addressed the participants on "Designing Financial Packages." He stated that financing decisions are based on 5 'C's: Character (Management); Capital (Equity and Liquidity); Capacity (Profitability and Volatility); Collateral (Level and Reliability) and Conditions (Terms, Rates, Covenants, etc.).

Doane discussed the following types of financing packages:

- Primary lender guarantees
- Pool guarantees or enhancements
- Subordinated financing
- Stand-by liquidity lines of credit
- Supplemental collateral

In summation, Doane stressed that the "biggest impact may come from removing risks and obstacles for producers." He encouraged lenders, "If you want to supplement financing, target to risks not already covered."

Harris led the discussion on farm business transfers. He informed participants of ways to minimize estate, gift and income taxes and discussed the different business organization options. Options to consider include:

- Sole proprietorship
- General partnership
- Limited partnership
- Limited liability corporation
- Corporation

---

## Finance Team Discussion and Conclusions

### Wisconsin's Livestock Industry needs to...

- Pursue new strategies to manage price risk.
  - Explore the various business organization options for current and transitioning operations.
  - Assemble lists of team management resources.
  - Develop new strategies to retain and attract capital investments.
  - Develop new systems for entry into livestock agriculture.
  - Develop a seamless approach to intergenerational business succession.
  - Design business plans and financial packages for expansions and start-ups.
  - Disperse information on business training opportunities more effectively.
  - Encourage lenders to more aggressively pursue investment in the industry.
-

After the panel presentations, participants again formed discussion groups. The ideas generated by this session are listed on the previous page.

Greg Beck of Equity Cooperative Livestock Sales wrapped up the conference by saying, "Your past leadership skills have brought you here today, but it is your future skills that will make the most difference. We have the ability...to change the future direction of Wisconsin's agricultural industry." He concluded his comments with, "I'll leave you with the three words Ben Brancel used last night: UNITY, UNITY, UNITY."

### *Working Together to Find Solutions*

The ideas generated by The New Dimensions and Directions Conference will be presented to an animal agriculture leadership team. This team will consist of leaders from key segments of the industry who will be charged with the responsibility of developing and implementing an action plan that will bring about a systematic and strategic effort to revitalize Wisconsin's animal agriculture industry.

#### CAARD Conference Committee

Ed Brooks, Foremost Farms USA  
Fred Gay, Wisconsin Pork Producers Assoc.  
Dan Gorton, Farm Credit Services  
Ken Leick, 21st Century Genetics  
Sam Miller, M & I Bank - Fox Valley  
Sherry Seubert, Wisconsin Veal Growers Assoc.  
Larry Smith, American Veterinary Assoc.

Mike Dummer, National Farmers Organization  
Gregg Gleichert, Jerome Foods, Inc.  
Jerry Lehman, Wisconsin Cattlemen's Assoc.  
Jerry Marr, Wisconsin Cattlemen's Assoc.  
Bill Nelson, Huntsinger Farms  
Dan Short, UW-Extension

#### Ex-Officio Members

William Geary, Wisconsin Agribusiness Council  
Dick Hauser, Wisconsin Cattlemen's Assoc.  
Keri Retallick, Wisconsin Pork Producers Assoc.  
Anna Maenner, ACM Inc.

#### Resource Committee Members

Neal Jorgensen, UW-Madison CALS  
Pat Luby, Oscar Mayer - Retired  
Don Peterson, Wisconsin Farm Progress Days  
Richard Vilstrup, UW-Extension

Outlines and or copies of speeches mentioned in these proceedings are available upon request. Please contact...

#### CAARD

2820 Walton Commons West, Ste. 132  
Madison, WI 53718  
Phone: 608/224-1450  
Fax: 608/224-1452

The "New Dimensions and Directions" Conference and these proceedings are funded in part by an Agriculture Development and Diversification Grant through the Wisconsin Department of Agriculture, Trade and Consumer Protection.