

# Taking Ownership of Grain Belt Agriculture

How Producer Self Reliance Is  
Transforming Rural America

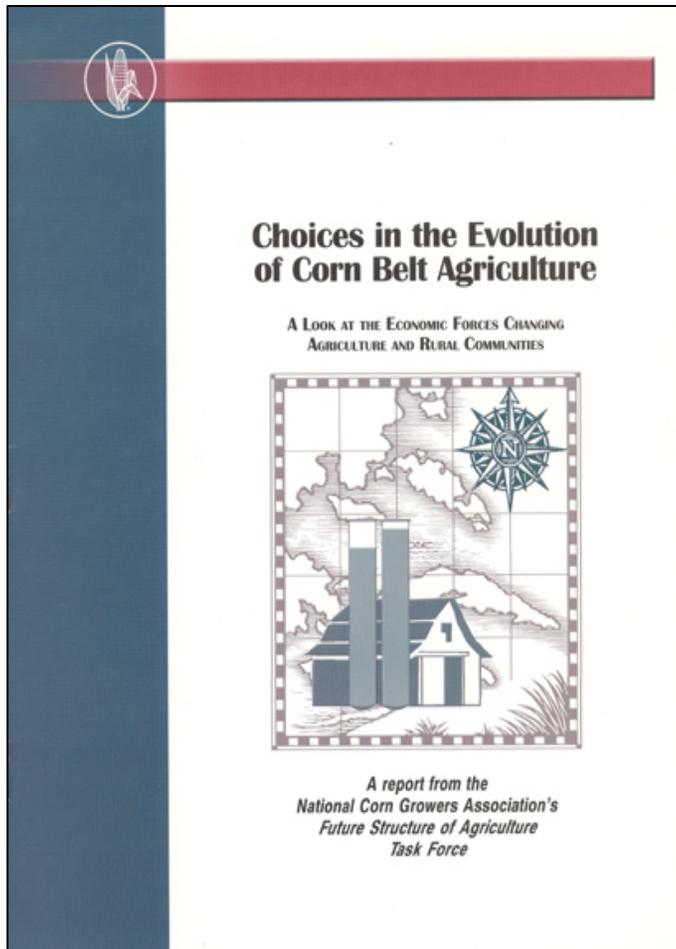
Gerald Tumbleson  
President  
National Corn Growers Association

# National Corn Growers Association

## **NCGA's Mission:**

To create and increase  
opportunities for corn growers

# Future Structure of Ag Task Force



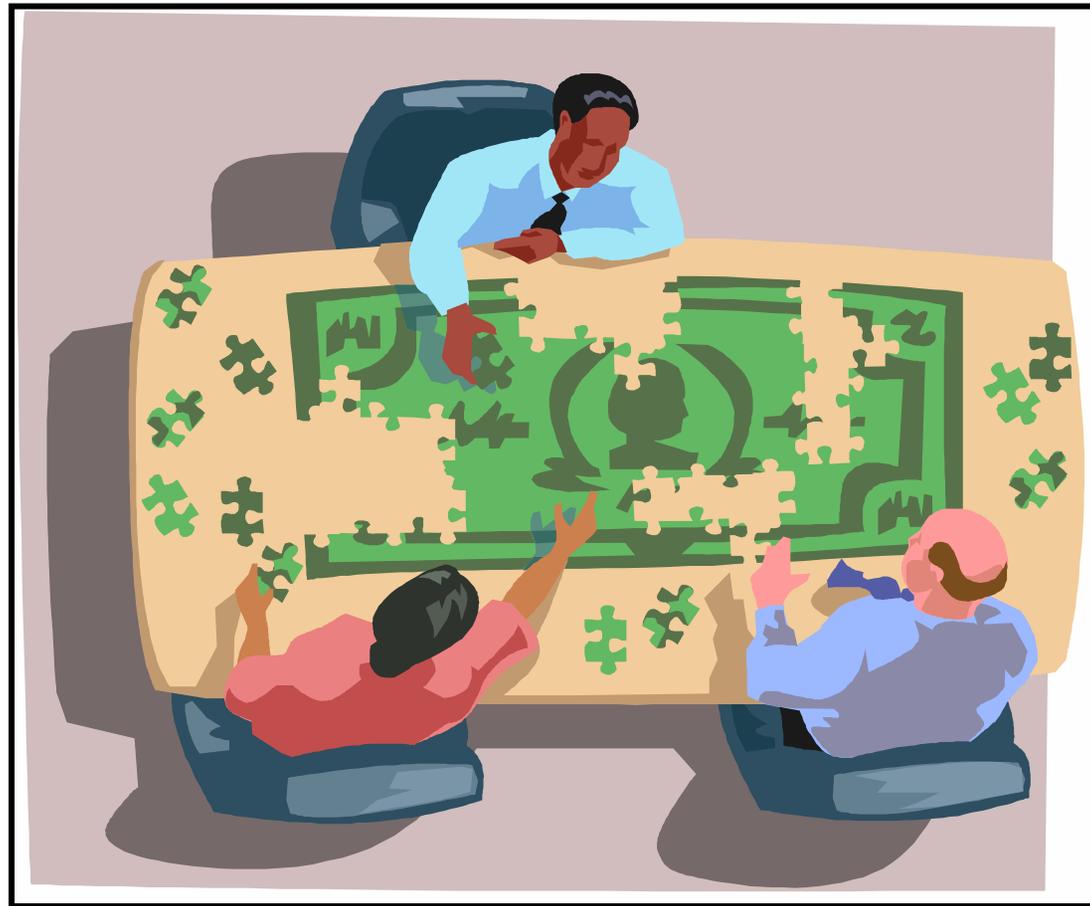
# Future Structure of Ag Task Force



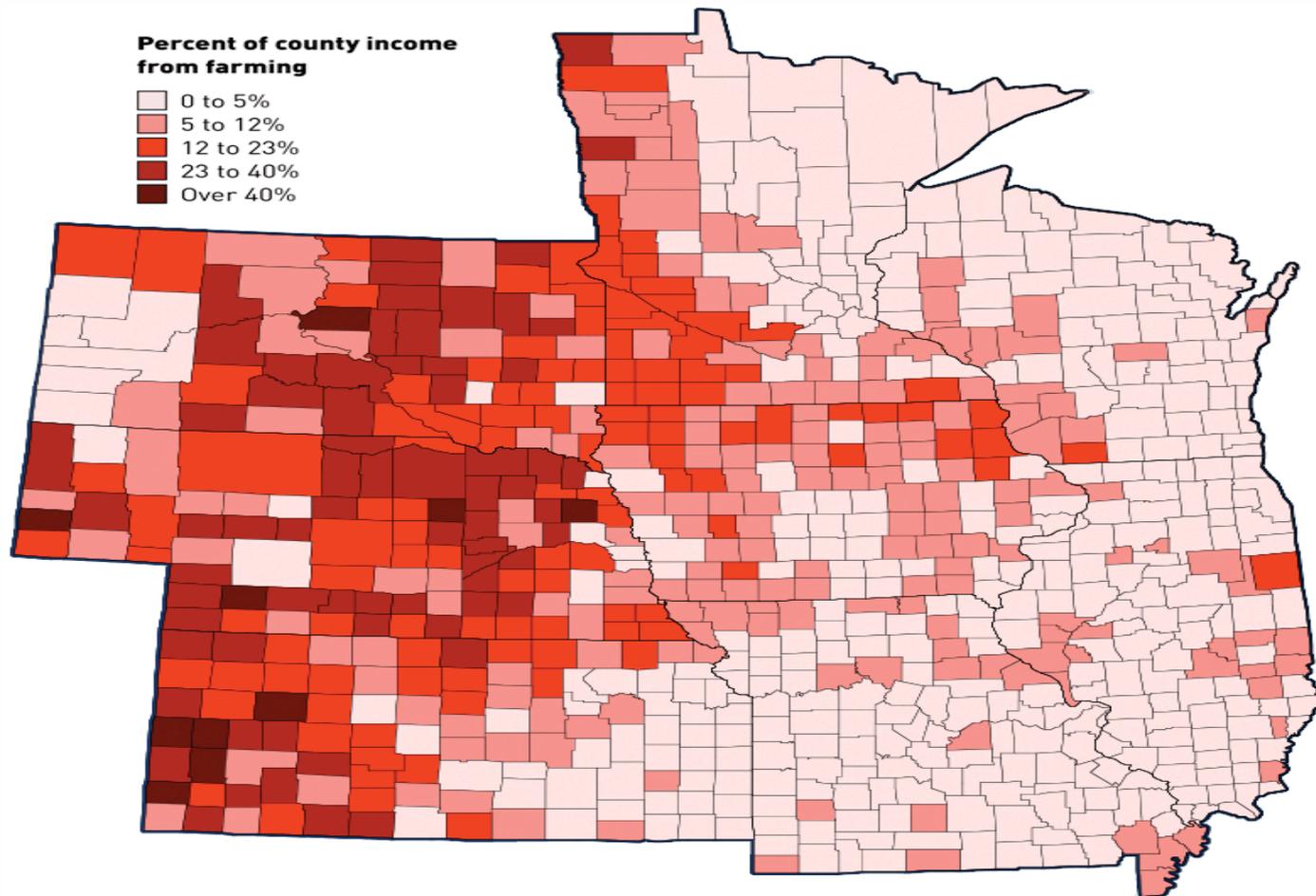
# Entrepreneurship

- Characterizes findings in FSATF II
  - Producer viability is dependent on entrepreneurialism and business investment
    - **Invest in the value-added business opportunities, don't just sell corn**
      - Sell an ethanol plant corn and you may gain a nickel/bu.
      - Own an ethanol plant and your returns are far greater
    - **Profits beyond farm gate**
      - Producers must take their investment closer to the end user to maximize value for what they produce and constantly focus on improving productivity and product innovation
      - The viability of their community depends on it

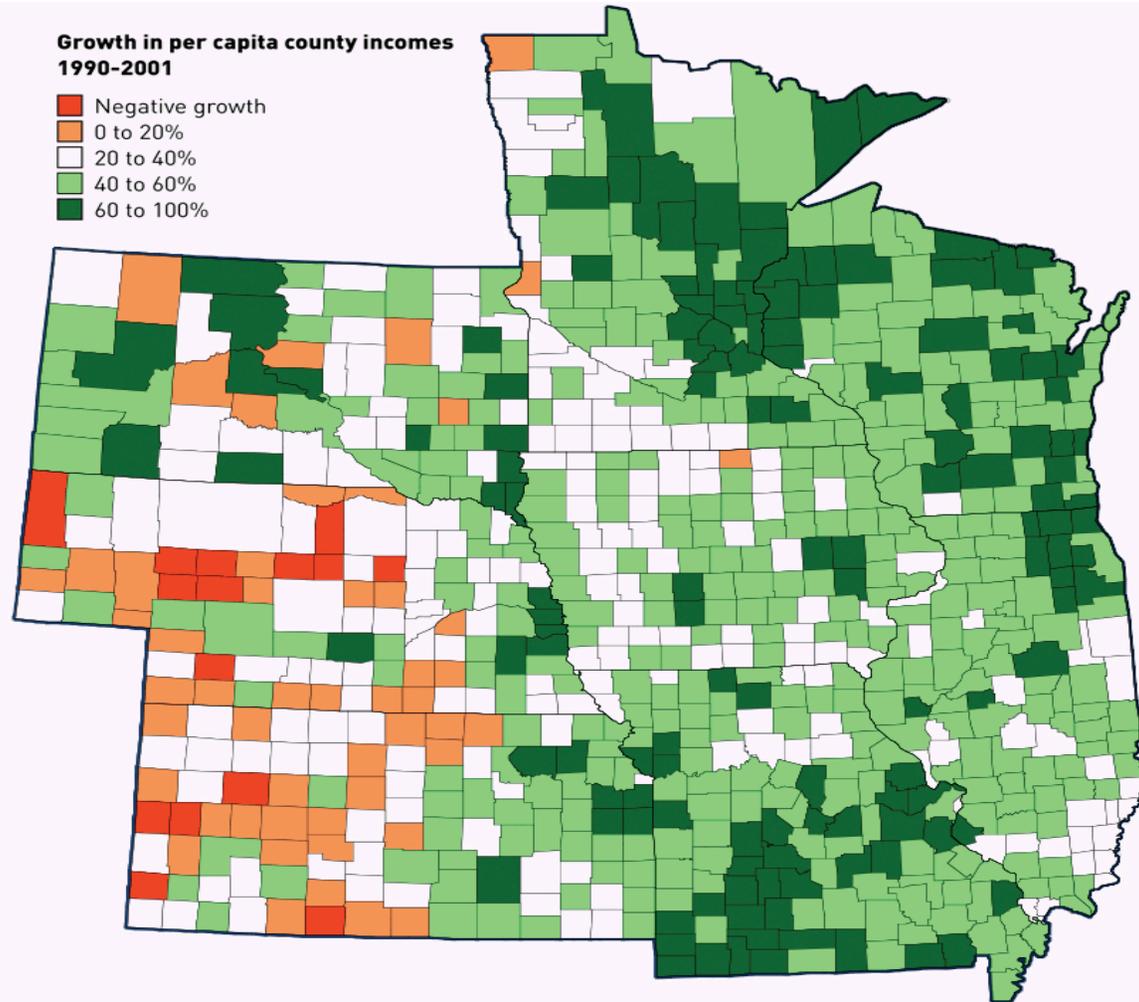
# Today's Challenges/Opportunities



# County Income from Farming Declining



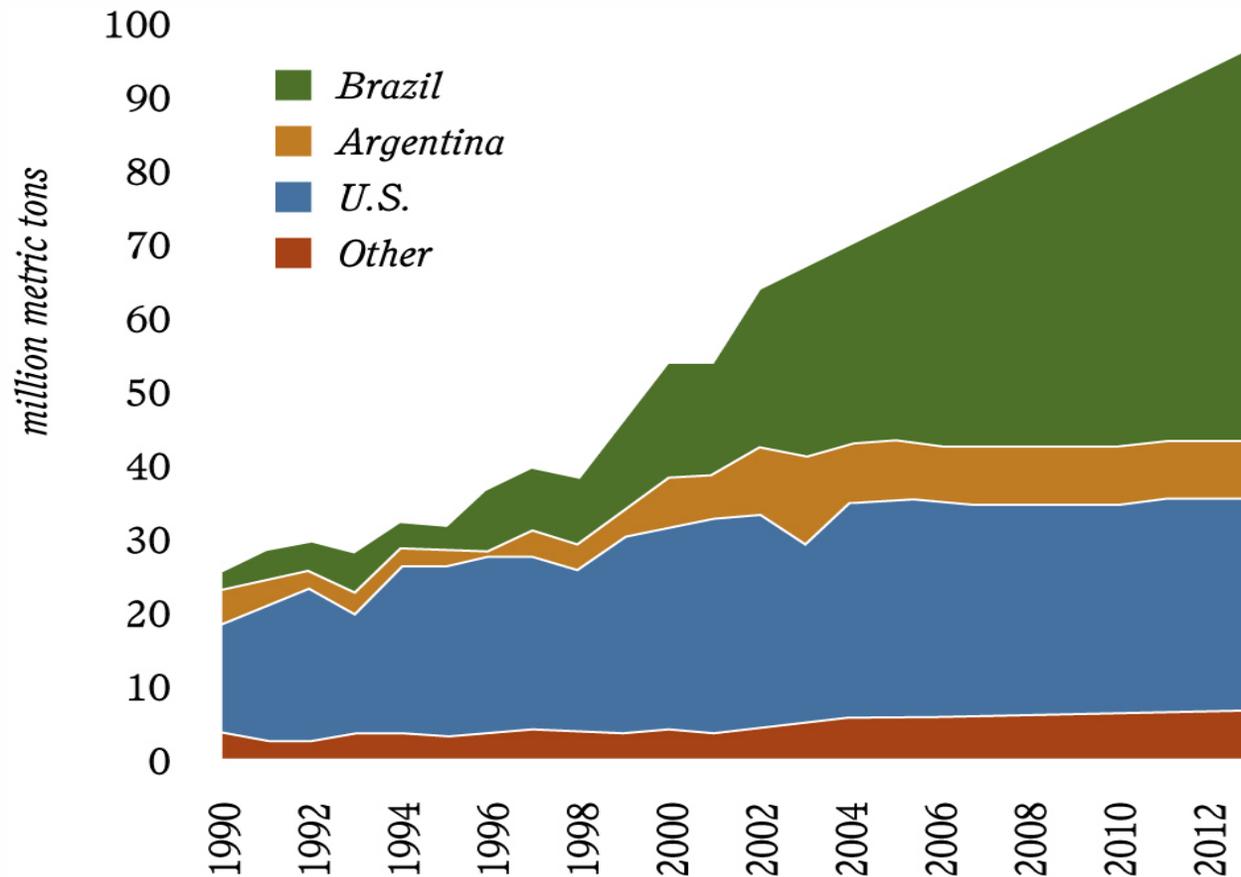
# Per Capita Income Growth Skews Toward Urban Centers



# Challenges of Today's Agriculture

- Only a small percentage of farmers can compete going forward in a commodity-driven agriculture environment
- Fewer farmers means less influence vs. competitive interests
- Increasing foreign competition due to structural shifts in global ag production and trade will exacerbate U.S. cost structure even more

# Projected Soybean Exports



# While There are Challenges...

Many choices exist for farmers to dramatically improve the outcome for rural communities – if they are willing to develop blueprints for change.

# Ethanol-A Shining Example

A single 40 million gallon, dry mill ethanol plant:

- Increases local corn price 5-10 cents/bu.
- Expands local economic base by \$110.2M
- Generates at least \$1.2M annually in new taxes
- Creates 694 jobs
- Average annual rate of return for growers who invest in a plant is 23%, according to Iowa State



# Producers Revitalizing Rural Economies



# Creating a Value-added Model

- Key Factors
  - Multi-layer business model
    - Built-in evolution to avoid commodization
  - Marketing/branding power
    - Increase value-added and reduce competitive pressures
  - Technology treadmill
    - Need to continually protect, re-invent and broaden technology platforms/ business model to limit risk of obsolescence risk

# Creating a Value-added Model

- Key Factors
  - Supply chain linkages
    - Must establish integrated downstream business relationships that keep farmer involved to the retailer
  - Government regulation
    - Creates both opportunity and threats

# Agriculture is America's Renewable Resource

- Increase private and public funding going towards development of bio-based products
  - Enhance U.S. competitive position
  - Renewable
  - More environmentally friendly
  - More politically friendly
  - Enhance U.S. security of supply
  - A need for value-added options that can reinvigorate rural America
- Moving toward a “New Bio-Economy” that redefines the strategic importance of U.S. agriculture

# Recommendations

**“Rural incomes and farm communities will benefit if national priorities begin to encourage self-reliance and marketplace solutions.”**

Future Structure of  
Agriculture Task Force,  
2005



# Challenges and Opportunities Ahead

- Elevate bio-based research and technology to a national priority
- Establish a national priority to enable the U.S. to transition from a petroleum-based economy to a plant-based economy
- Simplify the paths needed for farmers to register value-added brands
- Reform producer-owned business structures to improve tax efficiency, easily raise capital and offer investor liquidity

# Challenges and Opportunities Ahead

- Foster and fund value-added education and rural entrepreneurship
  - Establish continuing education programs for value-added agriculture
  - Establish a rural development entrepreneurship online library

# Rural Economic Outlook

- U.S. farm operators and their communities will need to seriously examine an economy built on value vs. raw commodities
- A bio-based economy can enhance opportunities for growers but only if they hold some stake as shareholders (direct and indirect share ownership)
- A transition to a more entrepreneurial Grain Belt agriculture is not without pitfalls

# TAKING OWNERSHIP of GRAIN BELT AGRICULTURE

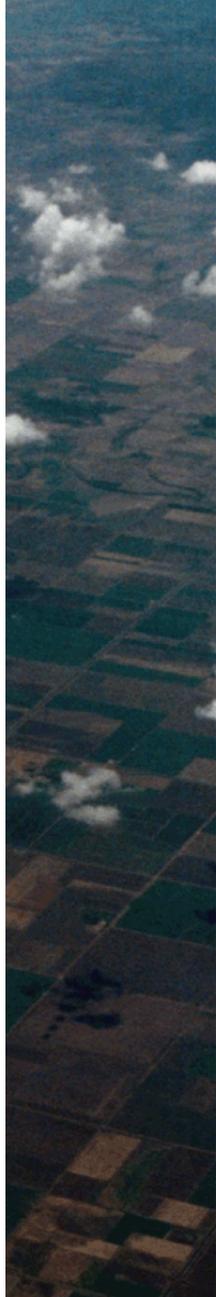
I. The Case for Change   II. Benefits of an Ownership Stake   III. Creating Sustainable Value-Added Businesses  
IV. Technology   V. Hurdles for Co-op Businesses   VI. Recommendations

INTRODUCTION  
EXECUTIVE SUMMARY  
CREDITS

“Those who prosper in this future agriculture must adjust to a rapidly changing environment and be willing to challenge their traditional comfort zone. Growers must be willing to sacrifice independence for interdependence. Farmers, policymakers and agribusiness leaders must be willing to create competitive advantages rather than protect old ones.” – *Choices in the Evolution of Corn Belt Agriculture, NCGA 2001*



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**Thank You!**