

Extension Advances Economic Development for Iowa's Animal Agriculture Industry

Thanks to Bruce Arentson, of Kent Feeds, for inviting me to speak with you today. We can certainly have a lively discussion about what Iowa State University Extension is doing to advance economic development in Iowa, particularly related to animal agriculture. In my remarks today I will be referring to a document called "A Vision for Iowa Animal Agriculture," developed by Iowa State's College of Agriculture. It's a development vision that came about as the result of a year-long visioning process with industry representatives.

These days economic development has become a mantra in Iowa. Elections were fought and won based on promises of economic development, so politicians of all flavors are making it a big part of their daily sound bites. But economic development has further reaching impacts than just the statehouse. About two weeks after I became vice president for Extension and Outreach last year, President Geoffroy had his annual evaluation by the Board of Regents. The board told him that he would be evaluated on "Extension's role in economic development." That certainly brought the magnitude of economic development right into focus for me!

The truth of the matter is that Extension and economic development have been operating cheek and jowl for many years. Extension has a long history of providing access to technical expertise and helping to attract and retain businesses in a community. Moreover, Extension has continuously cut across all areas of economic development to incorporate quality of life issues including environmental and recreational amenities and social infrastructure. We don't compete with the private sector—rather, we provide the research-based education and information to Iowans so they can make the best decisions for themselves and for their farms, businesses, communities, and families.

In talking with a wide range of folks, I have found that economic development means different things to different people. Some people think economic development means a new factory with thousands of jobs. Others might think of economic development as making a tourist resort or creating wine trails. For Extension, economic development is a fundamental element of sustaining its relevance and value to its varied audiences. What's important to Iowans has been and will continue to be the focus of ISU Extension's work. In essence, relevance is the fuel that fires the engines of Extension. (And you thought that it was bio-diesel or E-85!)

That said, Extension must maintain its relevance to all Iowans in their collective and individual economic development definitions. To that end, ISU Extension's work advances economic development in a number of ways.

- We have business development and technical specialists working statewide and hands-on. These include specialty units like our Center for Industrial Research and Service (CIRAS) or the Value Added Ag Program. These professionals help businesses get started or maybe expand. But in all cases the goal is to help them to grow and to compete in a global market.
- Extension field specialists are out there every day educating families so they can increase their income by adding a new enterprise or improving existing ones. We help farm families evaluate investment decisions and sort through financial stress.
- We coordinate and cooperate with the myriad of support elements in the state so entrepreneurs get the right assistance in the right order. I'm talking about assistance organizations such as USDA-RD, IADG, IDALS, IFBF, and local/regional economic development organizations as well. When it comes to coordination, around the United States, ISU Extension is recognized as "doing it right."
- And, as I mentioned earlier, we have people working on quality of life.

Extension doesn't seek to be all things to all people, but we are uniquely positioned to further economic development in Iowa.

- Extension is present in every county.
- We can offer prime access to research-based information not only from ISU but the whole Land Grant system.
- Few professional consulting groups can offer such a broad range of UNBIASED expertise across multiple disciplines—including those that impact animal agriculture.

The animal agriculture industry has its own set of distinctive definitions for economic development that have taken on new relevance in what is now commonly called the "bio-economy." I don't have to tell you that the animal agriculture business has an unprecedented number of challenges and opportunities for economic development—and ladies and gentlemen, I submit that ISU Extension is working to mitigate the challenges and amplify those opportunities.

- Throughout the state we have field specialists focused on beef, swine, dairy, and crops, who are assisting producers; and particularly this time of year they are out conducting major conferences for crop and livestock folks.
- And ISU brings you folks like Dr. Allen Trenkle, who was a leading researcher on utilization of corn milling by-products even before these by-products were "cool."
- Dr. John Lawrence leads the Iowa Beef Center as Extension livestock economist. Among many other activities the beef center laid out a fine tool for feedlot producers to evaluate and compare new facility designs with objective data.

Those were examples of how Extension provides unbiased, research-based information and education to agricultural professionals to grow the economic base of Iowa agriculture. But we also have field specialists with ag and

biosystems engineering who can assist with facility design, site selection, and manure management plans and regulations.

- Our farm management specialists provide assistance in farm economics, business and strategic planning, and value-added networks.
- Our Center for Industrial Research and Service (CIRAS) provides Iowa manufacturers with workshops and individualized technical and business assistance in engineering, management practices, procurement, quality management, biorenewables, and productivity to help them become more competitive.
- In addition, CIRAS can help feed mills develop quality control programs. We also conduct feasibility studies for plant expansions.
- Our Value Added Ag Programs team offers a complete array of business development support. These are only a few of the ways we partner with the animal agriculture industry to advance economic development in this state. But we're not stopping there.

Animal agriculture plays a key role in driving Iowa's economy, particularly to benefit the state's small towns and rural communities. To quote Wendy Wintersteen, dean of ISU's College of Agriculture: "Development through animal agriculture is a logical and exciting avenue to grow Iowa's rural economies. Our animal agriculture industry is favorably located geographically, in an area of competitive advantage for feed ingredients, and has cropping systems that are compatible for manure utilization."

For this reason, ISU's College of Agriculture recently developed "A Vision for Iowa Animal Agriculture." The college released the 20+page report in November, and it takes a hard look at our current situation, opportunities, challenges, and rewards for Iowa's beef, dairy, equine, pork, poultry, sheep, and goat industries. The ISU Department of Animal Science conducted this year-long visioning process with 40 industry representatives to evaluate the current status of Iowa's animal agriculture and the opportunity for growth.

We are at a time when Iowa agriculture is undergoing a vast structural change due to the biofuels opportunity. Bringing these top people to the table could not have been more timely. The objective was to align what all these folks know about the Iowa livestock sector and the economy with the new realities and possibilities. They identified some central themes and issues that exist across all livestock species grown in Iowa. Let me share the key messages from this vision. There are nine:

1. Iowa has the capacity to increase all animal agriculture species grown in the state.

Historically, Iowa has been a low-cost producer of high quality animal agriculture products. But in order to grow, the industry has to stay competitive in the global marketplace and focus on producer profitability. Iowa currently has approximately 26 percent of the nation's hog inventory and 6 percent of the fed cattle inventory. Iowa has the land resources to expand animal agriculture, and cash receipts from

animal agriculture have the potential to increase by \$2 billion over the next decade.

The naysayers and detractors are always saying there are too many hogs or too much manure, etc. We know that discussion continues and we have to be there with objective responses that make sense to the public at large. Without that balance in the debate, growth will be stopped with undue regulation or a business climate that is hostile to livestock sector growth. ISU and Extension have worked in this debate by bringing research-based information to the public. We will continue to do so aggressively.

Diversified agriculture is necessary if it is to be a sustainable agriculture. For example, if we raise the corn for fuel, feed the by-products to livestock and fertilize the next crop with manure, we have a sustainable circle of activity. And from a market sustainability standpoint, that scenario offers diversification of markets and revenue streams into these communities. Let's keep a broad base in play.

2. The economic impact of increasing animal agriculture in Iowa is tremendous.

ISU's Department of Economics has run projections on the effect on jobs and income if Iowa were to grow its animal agriculture industry. If the projections across all livestock species as outlined in the vision report come to pass, nearly 10,000 new jobs would be created, directly and indirectly. By 2016, cash receipts would total \$9.7 billion and total economic activity would reach \$21.2 billion.

A 2005 analysis showed salaries for hog production workers in the Midwest are near the national average and below the Southeast. The average salary in Midwest hog farms was \$35,000. The national range for average salaries, by title, was from \$38,000 for managers to \$29,400 for barn workers. Some 30 percent of salaries were \$40,000 and higher. Benefits were mixed, but 65 percent provided paid health insurance and 72 percent provided paid vacation.

In a 2004 Nebraska feedlot study, average salaries ranged from \$47,900 with \$12,000 in bonuses, to \$25,000 for general laborers. Average benefits ranged from \$5,000 to \$11,800.

Those kinds of numbers could really make a difference in rural Iowa.

3. Adding value offers some of the greatest opportunities for growing Iowa's animal agriculture industry.

We're already seeing the growing demand for attribute-defined niche products. Wholesale, retail, and food service are all clamoring for highly differentiated food products because they know they can get a higher price from that consumer. Innovation can lead to more sales and competition is fierce in the food markets. Bring more value to the customer with convenient packaging, real solutions for

the customer, better freshness, authentic connection to the producer...things like these mean more sales and more jobs.

I'm talking more than value-added processing. I'm talking jobs and growth in marketing, packaging, transportation, logistics, distribution, retail, research, and support sectors. The more we can get Iowa companies managing more of what goes on in getting food and products to consumers, the more money we capture right here. Value adding opportunities lay waiting up and down these supply chains and not only in processing. ISU Extension is helping people move on these opportunities.

4. The implementation of information-driven, consumer-focused, quality control programs for each species is critical.

More and more, consumers want to know where their food comes from, and they want to be sure that food is safe. When we identify an animal as Iowa-bred and raised, we increase the value of the animal and the products derived from that animal. Iowa's animal agriculture future includes developing branded products with specifications to assure consumers that they are getting safe, high quality products.

ISU Extension has specialists with solid experience in certifications and branding products. We know how these things add value, and added value is the lifeblood of economic development. And we look at the whole system including product development, transportation, processing, packaging, and regulatory matters. Economic development involves seeing all the possibilities, you see. ISU Extension likes to get in the trenches and help people act on these possibilities.

5. Iowa's biobased industry offers advantages to animal agriculture.

The bioeconomy is changing the game plan for Iowa animal agriculture. Ethanol and biodiesel production are increasing rapidly and competing with livestock and poultry production for feed grain. However, high quality feeding co-products are becoming more available. If ethanol plants can work with livestock producers to get their co-products fed locally, they reduce their drying and freight costs. And, local livestock producers get cost-efficient feed. Animal agriculture also has opportunities to provide feedstock for biofuel production as another use for manure. Now is the time to carefully define the role of Iowa livestock in the bioeconomy.

But as we define that role, we must take care. The impact of new policies and markets are driving this bioeconomy rapidly forward and surprising everyone with the rate of change. We must all consider the significant economic, social, and environmental ramifications of this rapidly growing initiative. Iowans need to make informed decisions and be engaged in shaping a desirable future. ISU Extension is committed to increasing awareness of the emerging bioeconomy and will be convening community discussions in 2007. These discussions will identify potential opportunities for Iowa as well as possible impacts on quality of

life. These community discussions will be a key part of Extension's continuing role in the bioeconomy. We need to attract a good cross-section of lowans to these community discussions. The information we gather from lowans will refine Extension's bioeconomy plan of work for calendar year 2007 and beyond. This input will help us identify roles, programs, and funding, as well as short, intermediate, and long-term considerations. Watch for this activity and be there if you can.

6. Iowa's animal agriculture industry must protect the state's water, air, and soil.

If we don't protect the environment, we're done. We have to manage manure to meet crop nutrient needs, minimize erosion, and conserve soil. We have to mitigate odor and gas emissions to an acceptable level. We have to match animal density to the land base while we acknowledge the potential for biofuel production and economic realities.

But, you know the issue is really about quality of life—and lowans prize that. If we want growth and young people coming back, if we want some of us oldsters looking at this as a great place to retire, we know we have to handle these issues. And we will.

7. An adequate labor supply is needed to grow Iowa's animal agriculture industry.

Animal agriculture, in many cases, is employing an immigrant workforce — so is dealing with training issues, legal issues, and community acceptance. Beyond the production sector, as value-added markets emerge and grow, so too does the need for more highly skilled labor. And, the state's educational system has to help provide a workforce with the required knowledge, training, and skills.

ISU Extension's Continuing and Distance Education division offers 32 degree and certificate programs involving all seven colleges within Iowa State University. We provide life-long learning opportunities for place- and time-bound students. We work with lowans where they are—they don't have to come to Ames. We offer conferences, seminars, and non-credit and credit courses. Courses are offered on and off campus as well as via the web and other digital delivery methods. We can prepare Iowa's current and future workforce to take on the challenge of growing the state's animal agriculture industry.

8. Innovative business models and support networks are needed that will help producers manage risk and attract new capital.

A strong animal agriculture industry that is economically thriving and sustainable brings a constant flow of dollars into the state that benefits both rural and urban areas. The industry needs new products, it's true — but it also needs business options that include aggressive financial and economic strategies. Iowa's banking industry and financial and growth consultants must play a key role in growing animal agriculture in the state.

We are at a point when we need to think of the whole supply chain from farm to fork or farm to fueling station. This means innovation needs to happen in business alliances, information sharing and aggressive application of technology at all levels. Iowa's old image of how we use this land and what rural communities should look like is about to be re-invented. ISU Extension is working on the leading edge of these reforms.

9. Iowa State University will play a key role in future growth of the state's animal agriculture industry.

As Iowa State Iowa's land grant university, we have been supporting the animal agriculture industry with research, teaching, and extension for more than 100 years. During that time we have ceaselessly conducted unbiased research for the public good and we have disseminated that research throughout the state with our ISU Extension field specialists.

We are continuously conducting new research—into new feed ingredients, new business models, new products, new uses. We will continue ongoing research in animal and human health, genetics, production, environmental management, and meat products.

We are building the necessary, diverse set of skills in the next generation of producers, managers, marketers, laborers, researchers, and workers for all segments of the industry.

At the same time, we are tending to our current workforce—from entry-level to mid-career to second-career. We are building their skills with academic and vocational learning as well.

In summary, I will offer you a pledge from ISU Extension: As you continue to explore the opportunities for economic development, Extension will continue to offer relevant solutions toward your success.

Thank you for your time.