
FOUNDATIONS FOR THE FUTURE: **CONVERSATIONS ABOUT OREGON AGRICULTURE**

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Foundations for the Future was held October 9-10, 2001, at the Oregon State University campus in Corvallis. Additional copies of this report are available from either of the co-sponsors. You may contact the Oregon Department of Agriculture director's office or from the OSU College of Agricultural Sciences dean's office, or visit the Web sites for either organization: www.oda.state.or.us or <http://agsci.orst.edu>.

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Summary

At an October 2001 meeting in Corvallis leaders from a cross-section of Oregon's agriculture industry, and representatives of the Oregon Department of Agriculture and Oregon State University's College of Agricultural Sciences, discussed the future of agriculture in the state. The group examined powerful forces that will influence the future, such as food system consolidation, globalization and public concerns about the environment. It also took actions to address those forces.

Among the key points of general agreement that emerged from the conversations:

- 1) the agriculture industry must be proactive;
- 2) it can't assume production agriculture will be in the future what it has been in the past;
- 3) the food system is consumer driven;
- 4) collaboration and alliances with new partners will be essential tools for the industry's success.

Outcomes

Participants broke into small groups to work on topics important for the future of Oregon agriculture. Outcomes from these sessions:

Educating the Public About Agriculture and Agricultural Issues

- Agreed to produce a compendium of marketing and agricultural image efforts that have been used to facilitate the development of unified messages from the agriculture industry; arrange for a third party to review the process and develop programs/strategies; review existing research on public attitudes and audiences.

- Develop a list of "players" and what they have done, by December 10, 2001.
- Agreed to sponsor an Education Summit and a Marketing Summit, by July 10, 2002.
- Identified Erik Fritzell (OSU) and Peter Bloome (OSU) as coordinators of the education compendium and summits.

Adding Value to Oregon Products

- Identified six strategies: converting starch to ethanol; converting manure to methane; increasing local processing (wheat/beef); identifying need and potential market/size; developing consumer profiles; defining who the custom is; "green" packaging.
- Assembled an action plan that includes: using focus groups to discover unmet need; finding out where potential customers are located; developing a customer profile; ensuring sufficient production capacity; increasing ODA/OSU awareness of need; satisfying customer needs.

Globalization and Trade

- Developed an action plan that includes working with other Northwest states in support of fast track trade negotiation authority for the President of the United States; looking for remedies to trade inequities that evolve because Oregon producers don't have enough finances or influence to alter policies; educating producers on the need to produce what consumers around the globe want; examining successful models developed by competitors such as Holland and, perhaps, developing an industry/ODA/OSU think-tank forum to help producers understand globalization concepts and functions; reviewing existing statutes for compliance with international trade law.

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- Agreed to develop a work plan, by December 10, 2001. Work committee: Andy Anderson (Oregon Farm Bureau Federation); Dalton Hobbs (ODA); Len Spesert (Agri Business Council); and Steve Lawton (OSU).

Keeping Rural Communities Viable

- Explored elements of an action plan, including fee recreation; diversifying off-farm employment; diversifying crops; encouraging youth to return to rural areas; promoting high-speed internet access; and addressing land use policy and water issues.
- Decided to develop proposed legislation to set up an agricultural policy for the state that will help make rural communities more viable. Work committee: Mike McArthur (Sherman County commissioner); Virgil Choate (Columbia River Bank); and Bob Skinner (Oregon Cattlemen’s Association).

Forging New Alliances

- Discussed forming cooperatives; setting up a chat room for “cross-industry” discussion; urging commodity commissions to consider pooling resources; setting up food alliances; and setting up certification programs.
- By December 6, 2001, Roy Malensky (Oregon Blueberry Commission) and Marnie Anderson (State Board of Agriculture) will discuss alliance possibilities with Ken Thrasher (retired CEO, Fred Meyer).
- Formed a work committee: Margaret Magruder (State Board of Agriculture); Clint Smith (State Board of Agriculture); and Ken Bailey (Orchard View Farms, Inc.).
- Agreed to reconvene the full group to identify common interests and issues.

Environmental Opportunities

- Agreed that all group members should participate in conservation incentives discussions that are coming up soon.

- Agreed that producer groups must communicate and build bridges of understanding with environmental groups at all levels.
- Agreed members should encourage producer groups to communicate with environmental groups.
- Agreed members should push for positive incentives when they have the opportunity.
- Decided to schedule a meeting between environmental groups, agriculture industry groups and appropriate government agencies, with the goals of developing better understanding of each other and identifying joint projects or activities.
- Formed a steering committee: Jim Krahn (Oregon Dairy Farmers Association); Sara Vickerman (Defenders of Wildlife); Chuck Craig (ODA); Clinton Reeder (Oregon Wheat Growers League); Tim Scho walter (OSU); Kent Madison (Madison Farms); Bill Boggess (OSU); Bill Braunworth (OSU); and Erik Fritzell (OSU).

How To Build a Unified Theme to Market Oregon Agricultural Products

- Discussed actions such as: interviewing ODA and commodity group representatives to learn what has been done in the past; pinpointing target customers; conducting consumer focus group sessions to learn about potential impacts of branding Oregon products; determining key messages for a marketing campaign; defining minimum standards (product characteristics) for allowing use of a logo or theme; determining what finances are available for consumer studies, logo design, etc.
- Decided that a subgroup will determine next steps in building a “Marketing Oregon” theme, by December 14, 2001.
- Formed a work committee: Jerry Marguth (Oregon Mint Commission); John Szczepanski (ODA); Betty O’Brien (Wine Advisory Board); Mike Forrester (Capital Press); Kathy LeCompte (Brooks Tree Farm); and Bob McGorrin (OSU).

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Who

On October 9-10, 2001, about 80 agricultural industry leaders from across Oregon gathered on the Oregon State University campus. For a day and a half they interacted with about 40 members of the Oregon Department of Agriculture and OSU's College of Agricultural Sciences, plus resource people from several states with expertise in key areas. The overall goal was to discuss challenges facing the industry and think in an innovative way about forces that will influence Oregon agriculture during the next 10 years. Participants were encouraged to forge commitments and alliances to address critical issues.

Approach

Before coming to OSU, participants filled out a survey, identifying forces they felt would shape how the state's agriculture looks in the years ahead. At the conference, they heard presentations by experts on topics related to those forces, asked questions of the presenters, discussed the topics in small groups, and reassembled as a large group to share thoughts on the topics. Participants also heard presentations by, and interacted with, a panel of adaptive Oregon farmers and ranchers.

Finally, participants took part in a "convergence" session. They divided into six small groups, addressing key issues linked to the future of agriculture and the state. The goals in the small groups were to identify steps to address the issues, identify individuals willing to work on those tasks, and develop schedules.

Presenters

Understanding Consumer Demands

David Lakey, president, The Lake Group; industry relations director, Food Industry Leadership Center, Portland State University.

Globalization Factors Affecting Oregon Producers

Jean Kinsey, professor, Department of Applied Economics and director, the Retail Food Industry Center, the University of Minnesota; and Ken Thrasher, retired president and chief executive officer, Fred Meyer Company.

Environment, Science and Public Policy: Impact on Oregon Agriculture:

Riley Dunlap, Boeing distinguished professor of environmental sociology, Washington State University; and Mary Jo Nye, Horning professor of the humanities and history, Oregon State University.

Adaptive Producers and Businesses panel discussion

Kent Madison, Madison Farms; Jack Southworth, Oregon Country Beef; Harold Schild, Tillamook County Creamery; and Ken Bailey, Orchard View Farms.

Highlights of presentations and related discussions

Understanding Consumer Demands

David Lakey, president, The Lake Group; industry relations director, Food Industry Leadership Center, Portland State University;

Lakey discussed trends in consumer demographics and consumer preferences. He

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said the national Census in 2000 revealed numerous shifts. For example, there now are 7.5 million female heads of households, median age is the highest ever (35.3 years) and rising because of the Baby Boom generation. Since the previous Census, the number of Americans of Hispanic background has grown by 53 percent, reaching 13 percent of the total population and outpacing black/African Americans (12 percent).

Lakey said consumers generally want to be healthy and well, but he lumped them into four categories as buyers: 1) Well-beings (23 percent of the population) driven to buy healthy products and live the healthy life; 2) Food Actives (21 percent) dedicated to health through food; 3) Magic Bullets (21 percent) who want health through the easiest means, such as supplements and prescriptions; 4) Fence Sitters (19 percent) neutral on health issues, occasionally modifying eating habits for health reasons; and 5) Eat, Drink and Be Merrys (18 percent) unconcerned about health or the food they eat and wanting instant gratification.

The sale of organic and functional foods (foods with components that have a potential beneficial role in the prevention and treatment of disease) is on the rise, he said, but still represents a relatively small segment of food sales (organic, \$5.8 billion, or 1 percent; functional, \$17 billion, or 3 percent). Cooking from “scratch” is giving way to “meal assembly.” Products that require some assembly (adding an egg) are most popular with African Americans, men and households with children. Cooking from scratch is more popular with women who don’t work outside the home or work part-time, people 50 to 64 years old, Hispanics and East Coast residents. More than 65 percent of consumers eat out every week, down slightly from the 1999 figure.

Key consumer need areas Lakey identified: 1) time (products that simplify life); 2) wellness (people are searching for ways to improve their quality of life); 3) food safety (concerns about items such as GMO foods, Mad Cow Disease and food poisoning will increase demand for cleaner, safer foods);

4) self gratification (indulgence; a backlash to the fat-free 90s); 5) authenticity (a cynical audience searching for “the real thing”).

Key questions for Oregon agriculture, suggested by Lakey: 1) To what extent are consumer needs present in company decision-making? 2) What percent of the company’s developmental budget is spent on understanding marketplace needs (many spent 100 percent on operating efficiencies and greasing the sales channel)? 3) What role could upstream producers have in relationship with downstream demand (could the producer add value that would increase consumer demand)?

Examples of points made and questions raised during the large group discussion:

- Poorer households often also are time poor and can eat out cheaply.
- How does the time rich/time poor trend fit with a poor economy?
- The quest for convenience seems unending.
- Changing time demands drive change in food preparation. There is a societal impact of spending less time on dinner. Oregon branding of products can bring families back together.
- Bottled water is the fastest selling food item today. Can Oregon agriculture take advantage of people who are willing to pay for this kind of product?
- How much more supermarket consolidation can occur? What can we do about it? Who can influence these companies?
- Home Depot has fundamentally changed the forest products industry and that kind of trend is just starting in agriculture.
- Big European food companies haven’t moved into the United States, yet, but they will.
- How will we get help for Oregon producers so they can stay in agriculture? Companies will continue to get larger and dictate prices. We need help from lawmakers and government on world trade negotiations.

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- Consumers are health and wellness conscious. We can use this to Oregon's advantage by making the safety of Oregon foods more visible. What can be marketed about the uniqueness of Oregon products based on our healthy, green image? Eco-labeling?
- Could we use the state's relatively new pesticide reporting regulation to market the safety of our food products?
- There is growth in organic products. How can we develop an educational process or uniform labeling process? Do we have enough inputs to produce organic products to meet increased demand?
- Functional foods are growing faster than organic foods.
- One person said the terrorist attacks of September 11, 2001, are resulting in cultural change. Americans may question where their foods come from and alter their eating habits. Product shipments across borders are slowed. Will this lead to long-term decreases?
- Who is responsible for understanding consumer needs and trends: the farmer, the processor or the retailer?
- What are the obstacles to making the connection for consumers on where a product comes from?
- What do producers need to do to step into the world market? How can they get a "heads up" when it's time to change directions?
- Niche retail markets (opportunities for Oregon producers) will open up outside the sphere of the two or three major food retailers.
- One size will not fit all. Oregon producers will need a variety of strategies to compete.
- One person suggested setting up, as a pilot project, a supermarket that sells only Oregon products. Another said farmers' markets across Oregon sell Oregon products.

Globalization Factors Affecting Oregon Producers

Jean Kinsey, professor, Department of Applied Economics, University of Minnesota:

The food and agriculture system is moving into a very integrated supply and demand chain, a global food economy, said Kinsey in her presentation, titled "The New Global Food Economy." This is a fundamentally new way of conducting business, she said. There are new niches in this bigger, more competitive environment, and things are changing faster than they used to. We are moving from an economy based on the production of goods to one based on the production of knowledge. Profits and competitiveness depend less on land and cheap labor and more on consumer demand, employee-based knowledge and "intangible assets and flexibility."

About 52 percent of food is sold through retail stores and about 48 percent through food service. She described a "global web of activities" that takes food from "farm to fork." Examples of these activities: Processing, storing, monitoring quality and safety, handling wastes, training and managing labor, adopting technology, analyzing and transmitting information about demand, research and development, finance and credit, overseeing market and economic welfare, growing crops and raising animals and delivering products. Different groups perform many of these tasks, but a company could decide to integrate and do many of the tasks and "outsource" others. The "players" in the web of activities change faster and are harder to identify today, she said.

Kinsey identified key points about the global system: The emerging global food economy is a different system, a new system. Each sector is an essential industry in itself, but it does not exist unto itself. The changing web of activities is making it harder to track factors such as the safety and quality of products, the source of raw products, and prices. Control points and

profit margins are shifting from sellers to buyers, producers to analyzers, hard assets to market intelligence. There is more private information and more global competition. There is an opportunity for producers to study, analyze and participate in the whole new global food economy. However, efficiency is not conducive to congeniality, she cautioned. There is no single type of consumer today. There are five or 10 different types at any one moment. Market to the right consumer, or to the niche.

Ken Thrasher, retired president and chief executive officer, Fred Meyer:

Discussed consolidation, especially among food retailers. Consolidation happens because of four key needs, Thrasher said: 1) regional diversification; 2) competitiveness; 3) buying leverage; and 4) pressure to increase company value for shareholders. “I think the big mergers are over,” said Thrasher, “except for a big Dutch company buying one of the four top companies, which are American.” Small regional grocery companies will continue to consolidate for the four reasons above, he predicted.

Thrasher discussed “the Wal-Mart Factor” in the global food business. He said Wal-Mart, a major international “player,” will have 150 superstores in the Pacific Northwest in 10 years, each containing grocery stores. The Wal-Mart formula: Reduce costs, reduce prices, increase sales. “If you can’t do what they want, meet their price, they’ll see if someone else can,” said Thrasher. He discussed evolving strategies that help companies such as Wal-Mart increase sales by reducing prices. For example, buying products that use less expensive artificial flavoring instead of peppermint oil.

Wal-Mart is looking for the customer who buys based on price, said Thrasher. “To compete with Wal-Mart you must figure out who your customer is and how they fit with Wal-Mart,” he said, noting that farmers need to employ this kind of thinking to compete. Timing is important, too, he added: The quick and dead is a familiar saying in the retail business—meaning, if you aren’t quick, you’re dead.

Based on population trends until 2025, the biggest growth will be in people older than age 45, said Thrasher. Food producers will be marketing to people of more diverse ethnic backgrounds, too. According to Thrasher, Fred Meyer always said, “Business is always good for a good businessman because he knows who he’s marketing to.”

Having a clear marketing strategy is very important, he said. Figure out which retail marketing “channel” you are in. This is becoming more difficult, he added, because the lines between channels are breaking down. For example, discount retailers are buying name-brand products.

There are troubling union, energy and welfare issues, he said, and they are being passed on to the producer. The North American Free Trade Agreement may have contributed to this. The good news is that consumers are benefiting from lower costs, while at the same time innovative companies such as Whole Foods are giving them good and interesting products.

Thrasher cited a disconnect between companies and unions. Nationally, he said, we are increasing support for people out of work, using funds that could be invested in food industry development. Various facets of the industry, including companies and unions, need to figure out how to deal with one another constructively and set goals collaboratively.

Marketing is a problem, too, said Thrasher. Oregon’s strawberry acreage is dropping not solely because of less expensive out-of-state and foreign competition, he said, but because “we are not marketing ourselves. We have better berries in Oregon than California and Mexico.” Having a clear marketing strategy is important, he said, and various parts of the industry don’t have to operate independently. They can collaborate on marketing.

He discussed vertical integration. For example, a large retailer can bring in milk producers to control quality and make their own products. There is more buying and selling on the internet, he said, noting that agricultural producers could form consortiums and do this. “We can all feel

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sorry about what retailers are doing,” said Thrasher. “But eventually we have to step back and ask what we can do within this framework.”

Opportunities Thrasher identified:

- 1) Understand better who your customer is;
- 2) improve your marketing focus;
- 3) understand the cost to market your product or products;
- 4) insure efficient production capability and understand how you compare in that category to foreign competitors.

Examples of points made and questions raised during the large group discussion:

- One farmer said she is ready to quit if “the Wal-Marts of the world can continue to tell us what they’ll give us, and we have all these government regulations.”
- Ken Thrasher suggested that the ODA could take the lead in getting people in the food chain together to find a system that works for all. “I don’t think the market is going to change without some dialogue to understand the economics of what’s happening,” he said.
- Jean Kinsey asked: “Who is selling (pears) to Wal-Mart for \$10 a box?” A pear grower responded that the pears are being imported from Chile. Kinsey asked why and added, “If it costs you \$12 to produce that box of pears, is there some reason (production technique) why they cost that much that you can” emphasize in marketing? The grower answered that the primary causes are higher labor costs and environmental requirements in Oregon, compared to Chile.
- Thrasher said there is a communications disconnect. Most food retailers don’t know much about foreign competition and cost of production in Oregon. The big role for ODA is linking retailer and producer, he said, and asked if we are going to let foreign competitors take over the market?
- Where does quality fit? Thrasher said it depends on the retailer. With most, quality does matter, but they expect it from every producer. They’ve learned that consumers want the best price, best quality, best service, etc. But, he added, there are opportunities to market “private labels” in different channels.
- Kinsey said price is not the first thing on some consumers’ lists of preferences. Maybe more producers should not focus on Wal-Mart but focus on other, significant markets out there.
- One person mentioned the farm bill and “green payments” in that bill and said people in Oregon appreciate nice agricultural landscapes, etc. She said Europe has a history of seeing other values in the agriculture industry.
- Do we have a national food policy, someone asked? Are we going to rely on other countries? In Europe people are still concerned about having a vibrant agriculture because they remember food shortages during World War II. Thrasher said this is an important topic, like our dependence on foreign oil. We need a strong agriculture, he said, and communications within the industry—rather than each special interest lobbying for own interests—will help. One professor said foreign buyers tell him they like consolidation in the United States because it makes it easier to know who to talk to.
- An Oregon commodity representative said the state produces 2 percent of the world’s hazelnuts and it costs more to produce them here than in Turkey and Italy, the largest producers. Labor is \$4 a day in Turkey and \$12 an hour in Oregon. “But we do sell to Wal-Mart,” he said, and in other countries. “The key is to market your product based on quality.”
- A professor asked who growers and processors should talk to in the Fred Meyer corporate hierarchy. Thrasher suggested talking to the head of food operations, and the president.

- In a closing observation, one participant said access to foreign markets is hurting Oregon. We don't have many tariffs but other countries make it hard to get into their markets. ODA can help in that. We can make better use of our congressional delegation. Need to think about how to position a U.S. or Oregon commodity to get a good deal when an opportunity comes up.
- Another participant observed that "if there is going to be an epitaph for Oregon agriculture, it will be 'I just want to grow it.' You have got to analyze and market," and these days speed is important.

Environment, Science, and Public Policy: Impact on Oregon Agriculture

Riley Dunlap, Boeing distinguished professor of environmental sociology, Washington State University:

Dunlap looked at long term trends of where the public stands on the environment, including the results of numerous opinion polls conducted since 1970, year of the first Earth Day. Public concern about the environment has shifted through the decades, rising during the Reagan presidency, dipping, then rising again recently. He said the public tends to see industry as the cause of environmental problems and protection as the responsibility of the government.

Mentioning a Roper poll, he said the public is more likely to want stronger rather than weaker environmental laws by a margin of three to one. In another survey, 62 percent of respondents said the government was spending too little on the environment and only 7 percent felt it was spending too much.

In the 1990s, because of the sustainable development movement, the public began to feel economic development and environmental protection can go together, that you don't have to choose. From that, Dunlap concluded that "if you can convince the public you have a business that fits with sustainable development, you can make it go."

Overall, 57 percent of the public feels the overall quality of the environment is getting worse. About 64 percent feel we are making only some progress in dealing with environmental problems. Looking 20 years ahead, only about 65 percent of the public has "some optimism" we will have environmental problems under control.

Dunlap wondered why the environmental movement has stayed viable for decades, compared to movements that come and go quickly. Only the civil rights movement and women's rights movement have had that kind of staying power, he said. About 83 percent of Americans say they agree with the goals of the environmental movement, he said, although only about 5 percent of Americans belong to large national/international environmental organizations. Young people are more likely to agree with environmental movement goals, as are people with a lot of education, Democrats and liberals. But overall, the support is broad-based, said Dunlap.

Who does the public trust on environmental issues? The "easy winner" is national environmental organizations, Dunlap said, followed by local environmental groups and the U.S. Environmental Protection Agency. Large corporations are last in this category.

Which scientists are most credible with the public? One survey showed university scientists ranked at the top by 58 percent of the public. Following them were scientists working with environmental groups (28 percent), government scientists (9 percent) and corporate scientists (3 percent).

The good news, Dunlap concluded, is that the public does not see the environment and the economy in conflict to the degree it once did. But when they are, the public favors the environment.

Mary Jo Nye, Horning professor of the humanities and history, Oregon State University:

Nye, whose presentation was titled "When Scientists Disagree: The Historic Role of Controversy in Science" began by

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discussing the water situation in the Klamath Basin, where there is controversy among several factions. About 1,000 farmers lost irrigation water when the federal government shut it off to save endangered fish. But, she said, there is disagreement among scientists over the amount of water the fish need. The National Academy of Sciences has been asked to look at what it will take for the survival of the fish, but the future of the irrigated farms hangs in the balance, too. She said some citizens have expressed surprise that scientists cannot agree on this issue, but noted that scientists do not always agree on facts or fundamental principles. Controversy has been the lifeblood of modern science since the time of Galileo.

Through history, Nye said, scientific consensus has taken months, years, decades and even longer. During these periods, scientists continually are collecting useful information. It is useful to distinguish between the types of controversies, she said: scientific, ethical, legal and mixed. The Klamath Basin is a mixed controversy. Policy choices will have to be made based on competing scientific opinions, if consensus cannot be reached.

Galileo's 17th century assertion that the earth moved around the sun offended the powerful Catholic Church and he was brought before the Inquisition and imprisoned for the rest of his life, Nye said. The lesson of this is that, to promote useful discovery, scientific inquiry and controversy should be insulated from ethical and legal controversy.

Science works through the mechanism of peer review, she explained, where scientists conduct research and publish their results so others can scrutinize and try to duplicate them. The scientific process does not measure ethics, she said. It is not looking at how objects should behave but how they do. It is not a legal endeavor, looking at who is injured by the objects.

There is public desire for quick scientific decisions, said Nye. She cited public enthusiasm for "cold fusion" when such promising energy generation was discussed publicly before researchers had completed the peer review process. The public became

frustrated when scientists couldn't "make up their minds" on whether it worked.

"We must realize that controversy within the scientific community is essential, and that some of these controversies take a long time" to work themselves out, she concluded. Global warming, she said, is an example of an issue that seems to be reaching scientific consensus—but not societal and legal consensus.

Examples of points made and questions raised during the large group discussion:

- Is there evidence that the public would pay more for products linked to beneficial environmental protection? Dunlap said data he's seen suggests the public might pay "a little more, but not much."
- One person, who mentioned "scientists in the Northwest dueling over the salmon," asked Nye to what extent scientists are influenced by theology, politics and other factors? They do have biases and influences, she said. But there are basic distinctions and principles that go into "salmon science" and there are disputes among scientists that are not necessarily political, personal, etc.
- One person asked if, in sampling public opinion, pollsters distinguish between "truly activist environmentalists" and "general people with sympathies?" Dunlap said they often ask if respondents are part of the environmental movement. Many say no but still favor environmental protection. Many movements have a business side, said Nye. "I think the public is aware that there are professional environmental lobbyists."
- Another question: Is the "average grandmother who likes to feed birds in the backyard" aware of what the Audubon Society does with the \$25 or \$50 she sends them? Dunlap said he couldn't respond without seeing data related to the Audubon question. But, he said, "in the stuff I get in the mail they tout clearly what they are trying to do. I don't think members are quite as naive as you suggest."

- One participant said until recent years he viewed scientists as “third party neutral” but now sees them in the “same boat with lawyers.”
- With regard to the Klamath Falls controversy, one person asked who is in charge of assembling the panel that will review the situation. A farmer from Klamath Falls predicted it will be a government agency that is defending its own interests.
- Another participant said he has given testimony to four National Science Foundation panels. “If you think they are not political, I’d like to sell you a bridge,” he said.

Adaptive Producers and Businesses (panel discussion)

Kent Madison, of Madison Farms at Echo, near Hermiston:

Madison’s grandfather settled the homestead in 1914. Kent and his wife Shannon are the third generation to manage the farm. In 1983 he earned a degree in production agriculture from OSU. At that time the farm was about 1,500 acres of dryland wheat, 400 acres of alfalfa hay and a cow/calf operation. Today the business includes more than 7,000 acres of irrigated crop production and a custom cattle-feeding operation, organized as three separate business entities: a land holding company; a partnership to operate production; and a business that accepts and applies biosolid wastes from Salem and Portland.

Many in the agriculture industry think they have to “sit on a tractor,” said Madison, but “I took the approach of being a resource manager instead of a farmer. I wanted to make money.”

He described the numerous shifts his operation has made to take advantage of resources and markets. “We have limited water rights,” he said, “so we have had to have diverse crops. That turned out to be good because we could adapt to the changing markets.”

He described how he obtained waste water from Lamb Weston, a nearby potato processing plant, to irrigate potatoes on his land, and set up an arrangement in which public agencies in the Willamette Valley that pay him to take biosolids, or sewage sludge, which he uses to fertilize and increase the production capacity of native rangelands.

“OSU, ODA and farmers should be looking at how agriculture can work with, not against, industry,” said Madison. “If the public wants to pay me to grow grass the birds and deer can use, that’s O.K.,” he said. “It may be glorified to sit on a tractor or combine but it doesn’t pay the bank.”

Jack Southworth, Oregon Country Beef:

Jack and Teresa Southworth have a cow/calf/yearling operation headquartered on land homesteaded by Jack’s great-grandfather in 1885. It’s in high, dry Bear Valley near the eastern Oregon community of Seneca, where grass is one of the few “crops” that can be produced. The Southworths are members of Oregon Country Beef, a cooperative of ranchers who market a branded beef product free of feed-additive antibiotics and artificial growth hormones.

The goal of Southworth Bros. Inc., a family-owned business, is to harvest the grass on their Bear Valley ranch in an economically and ecologically sustainable manner that creates a good quality of life for the people who are involved. The business employs several innovative practices. These include fencing riparian areas on public and private lands for better control of cattle, using cross-fence pastures that promote better use of grass and ensure adequate periods of recovery from grazing, and encouraging employees to participate in community activities, including making an effort to schedule ranch work around off-ranch activities while continuing to operate a profitable, efficient business.

“If we can make a profit producing a wholesome food that is ecologically sustainable, then it should be possible anywhere in Oregon,” said Southworth,

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referring to the harsh Bear Valley climate. “If you do what is right before it is legally required, you have a leg up on the competition,” he added.

Southworth explained that the ranchers who are part of Oregon Country Beef didn’t wait for the beef industry to solve problems for them. The challenge for the 40 ranches, which will sell about 15,000 head of cattle this year, is to continue to grow, he said.

“Can we continue to differentiate our product? The beef industry is about making a profit at the expense of other segments of the industry. The only way to change that is to form alliances. In addition, he said, “the agriculture industry in Oregon is going to have to form some kind of alliance with consumers and environmentalists to have a socially, environmentally and economically viable Oregon.”

Fifty years from now there won’t be an Endangered Species Act, Southworth predicted. There will be an “ecosystem health act.” He urged farmers and ranchers to “invite environmentalists out to your place. Show them how you operate. Talk to politicians, the ODA and OSU, but don’t depend on them to make your business profitable.”

In Oregon Country Beef, he said, “we work by consensus. It is slow. Frustrating. But the results are stunning. We have 70 or 80 people across Oregon headed in the same direction. The membership sets directions, allowing specific partners to move quickly, like Doc and Connie Hatfield do with marketing our product. Profit doesn’t solve all our problems, but establishing relationships does. It takes groups to make good decisions, but it takes individuals to keep the groups going.”

Harold Schild, Tillamook County Creamery Association:

The farmer-owned cooperative was formed in 1909 and is the oldest continuously operated cooperative in the country. When it was established, there were more than 30 small cheese factories in

Tillamook County, within a few miles of the county’s dairies. Quality varied, and each had to market its own product. They hired a cheesemaker to standardize quality, and later a “field man” to work with the dairies (there were about 800 in the county). Today, Tillamook County arguably has the highest quality milk in the world, thanks in part to stringent quality standards that can lead to economic penalties for cooperative members who ignore them.

“We have not changed the quality of our product with the changing times,” Schild asserted. Other places, quality is going down, he said. Cheese plants are speeding up their processing and cutting other corners to improve their profit margin. “We make our cheese in the good, old-fashioned way and market it nationally to eight to 10 customers,” Schild said.

The creamery has grown to nearly 500 employees in three plants with total sales of \$225 million a year. Tillamook cheese is recognized as one of two or three premium cheddars in the nation. Working with a few large buyers has forced the company to expand to another area (Boardman, Ore.) to increase production volume, Schild acknowledged.

Schild said he sees a bright future for the dairy industry in Oregon, but east of the mountains where more land is available. Big dairies at Boardman will be completely self-contained with zero discharge, he said. They will grow crops and recycle fertilizer. “You can’t do that in Tillamook,” he said, “where you have 100 inches of rain and the limited farmland is surrounded by houses.”

Ken Bailey, Orchard View Farms, The Dalles:

Orchard View Farms is a third generation, family-owned fresh cherry business that dates to 1923. The operation also produces processing cherries, pear, apples and wine grapes. The business is run by Ken, his brother Bob, Ken’s daughter Diana and Bob’s daughter Bridget. It employs about 40 year-round and 650 seasonal staff for cherry harvest and

packing. A third brother, Jon, is manager of Grant Hut Company's Northwest office and brokers sales of Orchard View's fresh cherries to domestic and international premium niche markets.

The business uses numerous innovative strategies: Maintaining orchards at varying elevations to make better use of the packing facility and reduce frost and rain damage; replanting at least 50 acres a year to keep trees less than 25 years old and improve cherry quantity and quality; selecting new rootstocks and varieties to lengthen harvest, improve pest control, improve fruit, and planting and pruning trees strategically to improve fruit quality and size, then hand-picking following a well-defined irrigation schedule; using Integrated Fruit Production (IFP) to improve fertilization, irrigation and pest control efficiency and eliminate residual herbicides; anticipating future safety regulations for orchards and packing houses; going beyond requirements to assure good working conditions and benefits for employees; using innovative packaging; and using View Fresh technology, a patented way of hydro-cooling, sorting and sealing cherries in a modified atmosphere within two hours of picking to maintain freshness and taste (this allows export by boat to faraway markets such as Thailand and the United Kingdom).

Ken Bailey said he does a lot of work on consumer demand and globalization. Aggressive marketing is important, as is educating the public. "Instead of whining," said Bailey, "let's go out there and talk about the positive things we are doing in agriculture. Invite environmentalists and the media to come out and see what we're doing. The reality in the agriculture community is not what the perception is."

The state's relatively new pesticide reporting system will show the public "how we really are operating," said Bailey, "and Senate Bill 1010 (stream improvement) will show how much we have done and will be doing."

He said Integrated Fruit Production is an overall philosophy that has to do with linking everything you do. "If you're doing everything right for yourself and the environment it's probably going to be defensible," he said. "But don't be afraid to change if someone convinces you something you're doing isn't right." Using IFP positions you so you can change quickly if a required change arises, he said.

He noted that Orchard View Farms is putting in a weather station network in the area to help control pests with less toxic chemicals and less of them. Partners in the effort are ODA, OSU and the Bonneville Power Administration. "If you want a grant and can tie it to salmon (protection), it's a hot topic," he said.

Examples of points made and questions raised during a general discussion among the audience and panelists:

- One person said he noticed that none of the panelists talked about "what is being done to them." Schild urged participants to support their commodity groups to help them deal with regulations and other issues facing them. "Ignore radical activists but deal with reasonable environmentalists," he suggested. Southworth said a commission can promote an idea but producers have to "take it and run with it." Madison noted that Oregon wheat growers have a "great connection" with Darren Coppock as head of the national wheat growers. Bailey said "maybe some of us haven't done as good a job as we could have of promoting what we are doing and the results. We are actually spending less money than we did 10 years ago for chemicals for pest control, and we can use that in advertising our products."
- Bailey suggested that, "to keep the industry ahead of the curve," the ODA should consider setting up a standard for fruit production so a producer can have one certification audit that satisfies all

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buyers. “We’ve got customers in Europe,” he said, who are much further along with requirements. I want to have boxes of cherries in my warehouse that I can send to London or Albertsons.” He noted that buyers from London have been to Orchard View Farms several times to inspect the operation.

- An OSU administrator said each of the presenters seem to have knowledge outside “their little production worlds” and personal values that help in their business activities. He asked how universities can prepare students for 20 years from now. Southworth said put less emphasis on production and more on holistic knowledge of how the economy, environment and society fit together.
- Madison said “we have to look at the bigger picture. Why do we care if we sell our own wheat or buy Argentinean wheat and process it in our plants, or have mills in China?”
- “We all shouldn’t go down with the ship trying to save every farmer out there,” said Bailey. “We all know a few neighbors who aren’t worth saving and are giving us all a black eye. We’re going to find out who is willing to follow the rules, who isn’t, and who is risking an entire industry.”
- Schild said the Tillamook County Creamery has 90 years of experience building markets and other relationships. “I’m impressed with what Oregon Country Beef has done in a short time,” he said.

What was accomplished

In a convergence session, participants broke into small groups and addressed seven issues. The goals were to identify specific “actions items” related to the issues, identify Oregonians who would, or should, work on the items, and schedule actions. Here, briefly, is what each group did:

Educating the Public About Agriculture and Agricultural Issues

- Identified elements of a strategy or action plan. These included reviewing and producing a compendium of marketing and agricultural image efforts; facilitating the development of unified messages from the agriculture industry; arranging for a third party to review the process and develop programs/strategies; reviewing existing research on public attitudes and audiences.
- Committed to assessing current efforts to market agriculture’s image and efforts to provide agricultural education to the public.
- Agreed to develop a list of “players” and what they do or have done, by December 10, 2001.
- Decided to sponsor an Education Summit and a separate Marketing Summit, by July 10, 2001.
- Identified Erik Fritzell (OSU) and Peter Bloome (OSU) as coordinators of the education compendium and summits.

Adding Value to Oregon Products

- Identified strategies for addressing this issue: converting starch to ethanol; converting manure to methane; increasing local processing (wheat/beef); identifying need and potential market/size; developing consumer profiles; defining who the customer is; “green” packaging.
- Discussed elements of an action plan: use focus groups to discover unmet need; find out where the potential customers are located; develop a customer profile; ensure sufficient production capacity; increase ODA/OSU awareness of need; satisfy customer needs.

Globalization and Trade

- Identified elements of an action plan: cooperate with other Northwest states in supporting fast track authority for the president of the United States (so that we are fully “armed” in trade negotiations); devise ways to access remedies to trade inequities (our many small specialty crop producers don’t have enough finances or influence to alter policy); educate producers on the need to produce what consumers around the globe want so we can out-market global competitors; examine successful models developed by competitors such as Holland and, perhaps, develop an industry/ODA/OSU think-tank forum to develop information about globalization to help producers understand concepts and functions; review existing statutes for compliance with international trade law.
- Agreed to meet by December 10, 2001, to design the work plan.
- Formed a work committee: Andy Anderson (Oregon Farm Bureau Federation); Dalton Hobbs (ODA); Len Spesert (Agri Business Council); and Steve Lawton (OSU).

Keeping Rural Communities Viable

- Discussed approaches for addressing this issue: implementing fee recreation; diversifying off-farm employment and crops; encouraging youth to return to rural areas; promoting high-speed internet access; (addressing) land use policy; (addressing) water issues.
- Discussed elements of an action plan, including encouraging urban investment in rural communities.
- Committed to developing proposed legislation to set up an agricultural policy for the state of Oregon.

- Formed a work committee: Mike McArthur (Sherman County commissioner); Virgil Choate (Columbia River Bank); and Bob Skinner (Oregon Cattlemen’s Association). The committee’s task will be identify and enlist the help of other Oregonians, as appropriate, and develop proposed principles that will go into an Oregon agricultural policy designed to make rural communities more viable.

Forging New Alliances

- Explored approaches to this issue such as: asking retailers what they want (in areas such as packaging, serving size and marketing help); investigating what customers need and how to forge alliances to meet these needs (ODA and OSU might facilitate; encouraging local producers to talk with local retailers).
- Identified possible elements of an action plan: forming cooperatives; setting up a chat room for “cross-industry” discussion; commissions pooling resources; forging food alliances; creating certification programs.
- Decided to set up internet “news groups” where people from across the agriculture industry can share information.
- Decided that, by December 6, Roy Malensky (Oregon Blueberry Commission) and Marnie Anderson (State Board of Agriculture) will meet with Ken Thrasher (former Fred Meyer CEO) to discuss alliance possibilities.
- Formed a work committee: Margaret Magruder (State Board of Agriculture); Clint Smith (State Board of Agriculture); and Ken Bailey (Orchard View Farms).
- Agreed to reconvene to the full group to identify common interests and issues.

FOUNDATIONS FOR THE FUTURE: **CONVERSATIONS ABOUT OREGON AGRICULTURE****Environmental Opportunities**

- Agreed that the Oregon agricultural industry needs certainty and identified elements that would help the industry take advantage of environmental opportunities: simplified regulations; regulations based on science; affordable technology; regulation that is not based on lawsuits or emotion threats; federal and state agreement on policy and regulation is needed; better incentives; finding and developing willing partners; developing consensus on goals; defining certainty (producers want predictability); clearly communicating end points; clarifying the process for development of laws, regulations and policies; developing an Oregon agriculture policy and a strategic plan.
- Agreed that the agriculture industry needs improved technical assistance, a variety of tools to get where it wants to go (one size does not fit all) and the education of city and rural residents.
- Agreed on these points: The public wants the agriculture industry and the environment to co-exist; technical and bureaucratic assistance with sighting and permitting is needed; ESA review/revision is needed; the industry should recognize that there are conflicting community desires; environmental issues fit into a much larger mix of issues; more communication is needed between agriculture groups and individuals and environmental groups and their members; there is a need to agree on goals across various interest groups; vertical integrate decision making is needed (with government, this applies from the local to the federal levels).
- Agreed that all group members should participate in conservation incentives discussions that are coming up soon.
- Agreed that producer groups must communicate and build bridges of understanding with environmental groups at the local levels, or anywhere there is an opportunity.

- Agreed members should encourage producer groups to communicate with environmental groups.
- Agreed members should push for positive incentives when they have the opportunity.
- Decided to schedule a meeting between environmental groups, agriculture industry groups and appropriate government agencies, with the goals of developing better understanding of each other and identifying joint projects or activities (the meeting might include a review of SB1010 progress and discussion of fish and wildlife habitat on agricultural lands).
- Formed a steering committee: Jim Krahn (Oregon Dairy Farmers Association); Sara Vickerman (Defenders of Wildlife); Chuck Craig (ODA); Clinton Reeder (Oregon Wheat Growers League); Tim Schowalter (OSU); Kent Madison (Madison Farms); Bill Boggess (OSU); Bill Braunworth (OSU); and Erik Fritzell (OSU).

How To Build a Unified Theme to Market Oregon Agricultural Products

- Discussed approaches for addressing the issue: promote agrotourism; promote environmental quality in Oregon (“clean, green, fresh, natural”); market Oregon agricultural products by claims related to distinctions or attributes with measurable points-of-difference; market Oregon agricultural products tied to environmental imagery (Columbia River, Multnomah Falls, etc.); build a marketing structure; design a “sticker” or “logo” or “slogan” either unified (across-the-board) or tailored to individual commodities.
- Discussed how to build a unified theme to market Oregon agricultural products. The strategy is to market Oregon agricultural products with a common logo/theme that has a measurable point-of-difference with a minimum defined quality standard.

- Identified some elements of an action plan for developing a common logo/theme: interview ODA and various commodity groups to learn history of what has been done; determine who the target customer is (commodity groups, retail trade, in-state consumers, out-of-state consumers); interview/conduct focus groups with consumers to determine the effect of Oregon branding; determine the key messages; define what minimum standards are for allowing the logo or theme to be used by various producers (standards must be related to a tangible product attribute); determine what finances are available for consumer studies, logo design, etc.
- Decided that a subgroup will determine next steps in building a “Marketing Oregon” theme, by December 14, 2001.
- Formed a work committee: Jerry Marguth (Oregon Mint Commission); John Szczepanski (ODA); Betty O’Brien (Wine Advisory Board); Mike Forrester (Capital Press); Kathy LeCompte (Brooks Tree Farm); and Bob McGorin (OSU).

Conclusion

Thayne Dutson, dean of OSU’s College of Agricultural Sciences, and Phil Ward, director of the Oregon Department of Agriculture, offered concluding thoughts:

“Just being here has helped us know more perspectives, and I believe some new linkages

have been made within the agriculture industry,” said Dutson. “I think we need to keep in mind that, in addition to the commitments, an added value of each of you being here will depend on what you do when you go home, interacting with commodity commissions, other organizations and the folks at the local coffee shop.

“Start spinning these ideas,” he added. “Take them to a forum in your community. Develop some local action items. Environmental opportunities seem to fit with consumer demand and value added, and marketing Oregon seems to fit with all those. Think of the system. Use the systems approach in thinking about all this. Look for synergy.”

“We have tried to tackle some big issues here in a short time,” said Ward. “Some of these are beyond the control of anything we can collectively do here; but others aren’t.

“Two of the key things that happened here were developing important discussions and strengthening relationships,” said Ward. “We purposefully had many of ODA’s key administrators and staff present at this event, listening and talking with industry leaders about ideas and actions. There were important exchanges of information. These discussions will continue as we work on actions to address many of the issues facing the industry. We’re committed to working with the industry and OSU on issues where we can make a difference.”