

Testimony to the U.S. Senate Agriculture Committee  
February 13, 2007

By

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Good Morning. My name is Mary Holz-Clause. I am interim associate vice president for Extension at Iowa State University Extension, director of ISU Extension's Value Added Agriculture Program and director of the Agriculture Marketing Resource Center (AgMRC) a virtual value-added agriculture center for U.S. farmers and producers in the United States. My husband and I operate the family farm, putting us among the two million family farmers raising food, energy and fiber for Americans and the world.

These roles create a uniquely broad perspective for me to not only see, but actually understand, the impact value-added agriculture has for our nation's farmers and ranchers. The relationships I have as a value-added agriculture consultant, land-grant Extension administrator and family farmer enable me to know what's going on out there.

Value-added agriculture as defined by USDA is increasing the value of an agricultural commodity through changes in genetics, processing, or diversification; or by increasing the consumer appeal of an agricultural product.

Value-added agriculture is making a significant impact in rural America. The more than 46 farmer-owned ethanol plants in the U.S. are fueling our nation's automobiles and the nation's 95 biodiesel plants are extending the diesel fuel supply -- real life successful examples of farmers making rural development happen in their communities.

The renewable fuels explosion is but one example of value-added agriculture in the U.S. Value-added agriculture is also Kelly Biensen who, along with other central Iowa pork producers, began marketing certified Berkshire pork products to upscale restaurants on both coasts under a label called Eden Natural. With assistance from the Value Added Agriculture Producer Grant program and technical assistance from Iowa State University Extension and others, Kelly and his farmer group sold more than \$1.6 million of value-added specialty pork in 2006.

Value-added agriculture brings jobs and opportunities to Rural America. Rural economic development is the true objective. One tool to assist this effort in the previous Farm Bill was the Value Added Agriculture Producer Grants. Since the first VAPG grant was awarded in 2001, more than 930 farmer groups from 49 states and Puerto Rico have used the assistance to write marketing plans feasibility studies or working capital to develop their business. More than 164 of these awards have been for renewable energy projects - all helping to reduce the nation's dependency on foreign oil and promote the welfare of rural America and our nation's

farmers.

Producers use the VAPG grants to explore new markets -- a Texas group explored the market for value enhanced grain marketing to Mexico and a California farmer cooperative developed ID tracking software so they could maintain their export markets for their raisin products. The working capital portion of the VAPG has helped producer groups hire professional staff to assist with marketing or develop hedging and trading strategies for ethanol marketing. Another group used their money to develop their market for low linolenic soybean oil, an oil that is trans fat free and lower in saturated fats.

Tied to the VAPG is a program called the Agriculture Marketing Resource Center (AgMRC). AgMRC is a virtual resource which receives five percent of the VAPG program funds to assimilate and develop new resources for U.S. farmers and ranchers. The site receives more than one million hits per month and averages 1200 visits per day, with each visit lasting more than ten minutes. While on the site producers can find information on how to write a business plan, market opportunities for various products they grow, how to organize a group, strategies for marketing ethanol co-products, and more than specific information on more than 250 different crops and commodities grown in the U.S. Staff members have answered inquiries and done extensive research on questions ranging from the growth and demand of the pomegranate market to helping evaluate and establish quality standards of Alaska's wild salmon fisheries.

Right now, the Ag Marketing Resource Center is working directly with producers and service providers in Alabama, California, Colorado, Delaware, Florida, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Minnesota, Mississippi, Missouri, Montana, Nebraska, New Mexico, New Jersey, New York, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, South Carolina, South Dakota, Tennessee, Texas, Utah, Vermont, Virginia, Washington, West Virginia, Wisconsin and Wyoming. The Ag Marketing Resource Center is a value-added agriculture center for all of the United States.

We are targeting national areas of need for value-added agriculture information in biofuels, alternative fuels, specialty products and agritourism. Some of the topics include:

- ? Examining the economics of ethanol from sugar beet pulp.
- ? Evaluation of the current state of innovations and the competitiveness of bio-energy production in California.
- ? Analysis of success factors for value-added business ventures.
- ? In-depth marketing study on the specialty cheese market in the U.S.
- ? Development of cooperative networks of producers across the U.S.
- ? Analysis of the meat goat market in the U.S. which is being done with Tuskegee University.
- ? Exploring the potential for biomass switch grass production in mid south.
- ? Further development and enhancement of a marketing tool that directly connects producers, processors and retailers across the United States. This program, called Market Maker is already in force in Illinois, Iowa, Kentucky, Nebraska and New York.

Since its inception, AgMRC has contracted or partnered with virtually every state to develop tools, spreadsheets, models and research applicable to value-added ag producers.

Last year staff members gave more than 120 presentations at a variety of national, regional and

state conferences to educate producers about AgMRC and the Value Added Agriculture Producer grants. Presentations highlight new materials such as updates on consumer food trends, the implications of the exploding renewable fuels markets, development of the regional wines, agritourism potentials, among others. More than one half million people were reached in those outreach occasions.

The demand for information and assistance is real. From raising tilapia to transitioning to organic production to growing camelina and switchgrass for biomass, or mustard and canola for biodiesel, American farmers and ranchers are asking for and receiving help in their business enterprises.

As Jeff White in Virginia said, "Your 10 Year Winery Financial Plan was a great find. I do not know how I could have put together my business plan without it. Having all the necessary accounts in place and how changing just one variable then rippled through and showed its impact was invaluable. I will recommend it to anyone starting a winery."

Linda Jones from the Michigan Wine Growers group, "Wow! I am very impressed. I will be adding reference to these materials to our Resource Guide."

In California Fred Nickel of Brutocao Cellars had this to say about the Ag Marketing Resource Center. "Just wanted to let you all know what an absolute treasure this Winery Financial planning workbook is... I have been making wine and building/upgrading wineries for 27 years and this is one of the most comprehensive, functional tools I have ever seen."

Although the site is for farmers, non farmers such as free lance writer Ellen Rilla said "Thanks for all the good info. I just used your site last week while working with Time Magazine on an agritourism story that is due out in their new issue."

Jack Schultz, community development expert, world renown motivational speaker and author of the book of Boomtown USA: Says, "I was very impressed with the Ag Marketing Resource Center and will be blogging on your work. You are doing very important work for the diversity of ag in America."

In Kansas, Rainbow Organic Farms, owned by Diana and Gary Endicott, began marketing natural beef along with organic tomatoes in the Kansas City area under the trademarked Good Natured Family Farms brand name. Soon, the demand for their brand of beef became greater than the supply. So Rainbow Organic Farms began seeking producers who had similar beef production practices. The resulting group of approximately 20 producers became collectively known as the All Natural Beef Cooperative. The Endicotts needed to establish operating procedures and take the group collectively through the USDA process verified program, to maintain a consistent supply. Endicott took advantage of assistance available through the Agricultural Marketing Research Center (AgMRC). AgMRC created a process verified manual for the group and provided training for cooperative members while the group works through the USDA process verified program.

Both the Value Added Producer Grants and the Ag Marketing Resource Center have proven

their value since inception. And much of the value in such public investments comes in the form of innovation. Nothing else exists that is as focused and comprehensive as the Ag Marketing Resource Center for marketing and business development information. The support and research functions associated with this project continue daily to provide new information and analysis as it emerges. Truly, the investment in this project has spurred innovation in the way information gets disseminated and used within agriculture at all levels. The site offers directories to help put producers together with consultants for special or long-term assistance and contacts in all 50 states knowledgeable in value-added agricultural efforts. Other new marketing tools are constantly being researched and added. One example is Market Maker, an electronic tool backed by high powered demographic databases that marries farmers and end-use markets, such as restaurants and specialty markets.

A moment ago I mentioned the Eden Natural pork group merely as one example. Clearly, they are returning significant additional money to their operations. But, I wish I could put a metric to how much this group has learned about business and marketing in the process. The value of that is huge for the future. These grants allow people to explore regions of the market and themselves that they could not otherwise afford to do. From afar, it is too easy for analysts or policy makers to discount the effects on these small businesses and rural America. The producer grant program is about changing people's lives by first changing their focus to marketing. Secondly, they see their skills change and grow. Ultimately, there is a new confidence that, yes, we can manage our economic destiny in rural America.

The Value Added Producer Grants Program is not just a tiny piece of a huge federal budget. In rural America, this program is a major driver of economic development and change to a market orientation at the producer level. This program is about teaching a man to fish and feeding him for life. But, it's also about feeding U.S. farmers as a whole, feeding small towns across the nation and feeding economic development in those areas.

In summary, the VAPG has helped more than the 930 award recipients reach for new markets and opportunities. The results range from modest to magnificent. AgMRC has responded to more than 4000 requests for information and assistance from across the United States and tracked millions of downloads of information from the web site. Without the tools of the AgMRC these producers most likely would not have succeeded in finding crucial information necessary for a successful environment for value-added businesses.

Without the producer grant funding, in many cases it would have been extremely difficult for the groups to afford quality technical assistance or manage through early financial strains associated with startup. This is money that can change the conversation with a banker. It is money that offers a leg up when confidence is not quite high enough yet. It is money that takes folks to a new place of cooperation and community. It's spinning out new businesses and ancillary businesses in the rural areas, where the impact can be enormous. I ask you to consider the extension of this program in the same reality we see out there in the trenches.

As I stated at the outset, my perspective is uniquely broad on this matter and my make-up forces me to be coldly objective. I am trained in business. What I have seen with the results from the Value Added Producer Grant Program has created extraordinarily significant positive result. To ensure seamless continuity of this vital program, I encourage you to both re-authorize

the Value Added Producer Grants program in the next farm bill and provide full authorized funding for the program in the upcoming appropriations process.

Thank you for the opportunity to speak about a subject which is revitalizing small towns across America, providing new hope and opportunity for the nation's farmers. I will entertain any questions you may have.