

Can We Meet the World's Growing Demand for Food?

How can the agribusiness industry help manage the growing risks and rewards of a global food supply? Recently, several agribusiness leaders gathered at the offices of Husch Blackwell to share their insights and perspectives on this question. Kansas City Business Journal reporter James Dornbrook moderated the discussion that addressed several concerns and opportunities to supply food across a worldwide marketplace of multiple governments and 8 billion consumers.



Back Row (left to right): **Andrew Brummel**, associate vice president of legal at Dairy Farmers of America, **Albrecht Kissel**, president and CEO of St. Joseph, Mo.-based Boehringer Ingelheim Vetmedica Inc., **Mark Campbell**, CEO of St. Joseph-based Triumph Foods

Front Row (left to right): **William Gambel**, vice president of client development and marketing at Manhattan, Kan.-based AIB (American Institute of Baking) International, **Jim Ash**, food and agribusiness industry group leader and partner with Husch Blackwell LLP

KCBJ: Talk about your place in the globalization of the food supply. What are you working on globally with your companies?

Mark Campbell, Triumph Foods:

Today, 30 percent of our sales go out to international markets, mainly to Mexico and Asian markets. The demand for food in developing countries is high, and we're there to try to serve them.

Andrew Brummel, Dairy Farmers of America:

In 2002, about four percent of U.S. dairy products were exported. Now, as supply outpaces demand in the U.S., we export 16 to 17 percent of our products.

William Gambel, AIB International (AIB):

AIB is a global leader in food safety training, education and audits, including GFSI (Global Food Safety Initiative). Currently, there are eight GFSI audit schemes in practice.

Albrecht Kissel, Boehringer Ingelheim Vetmedica:

Our headquarters are in Germany. We have operations in about 40 countries throughout the world. Because animal diseases can be unique to any given country and because the regulatory environments are different it is important we have R&D and manufacturing facilities in all three main regions of the world (North America, Europe, Asia).

James Ash, Husch Blackwell: Most of our food and agribusiness clients are U.S.-based, so our principal focus is on facilitating their exports and their international expansion.

KCBJ: What is changing in your business due to globalization?

Gambel: Food safety continues to grow in importance, both domestically and internationally. The focus is on food safety thanks to the Food Safety Modernization Act and the evolution of the GFSI, and multinational food distributors and their insistence on GFSI.

KCBJ: Are you seeing increased regulations come into play?

Brummel: To a certain extent, it's very reactive versus proactive. What we've found is that it's a challenge to keep up with the new and evolving regulations, many of which are implemented and become effective on very short notice.

Campbell: Two of the largest countries that have demand for our products – China and Russia – have put in a zero residue limit on growth hormones, which is lower than the U.S. tolerance. This limits our ability to move products.

“Countries have reasons for wanting to protect their internal production...”

Brummel: When we were trying to send butter to Libya, we got the list of specifications. They're much different than they are in the U.S. and in other countries around the world. Some of the specifications required us to test for things we initially couldn't find a lab to test for. We figured it out, but those are challenges we have when we enter new markets.

Ash: The phrase “geo-political” is critical. Countries have reasons for wanting to protect their internal production, and as a result they will enact certain practices and policies that affect what happens in the U.S.

KCBJ: You have different countries with different trade policies. Will that change anytime soon?

Kissel: We will deal with it for a long time. If, for example, China or another country needs pork from the U.S., they can use the importing of pork as a trading chip in negotiations for something unrelated and different, and that makes it difficult.

KCBJ: What do you see as the biggest issue in world trade?

Gambel: Genetically modified organism (GMO) is the big elephant in the room: To meet the world's demand for food given the population growth, there will have to be greater acceptance on genetically modified foods. There has to be greater acceptance on the European side relative to those GMO-based products.

Ash: You see the political side with GMO issues. Can you ship to France? No. To Germany? Yes. Those political issues are difficult for U.S. industries that have typically been domestic, because those industries aren't used to that situation. It takes nothing to ship products from Missouri to Kansas because of national standards that cover a large geographic area.

Kissel: We can only supply the world with food if innovative technology is involved. The available land for crop and animal production is not enough with the technologies we have today. Genetics, GMO, growth hormones and antibiotics are huge discussions in the animal health industry.

Campbell: Every country has a desire for self-sufficiency. For example the U.S. desires to be oil independent. So when you look at trade policy you have to balance that desire by each country. You take my industry: The largest pork producer in the U.S. was bought by the Chinese this year. It was largely driven by the desire to bring expertise to China; to try to garner expertise from the U.S. on animal production and animal processing into China so they can grow their own industry.

KCBJ: What are some of the major costs involved in your business?

Brummel: Transportation is huge for us wherever raw milk or products are being transported. One of the things we do as a cooperative is we work with other cooperatives. For example, if our customer is located closer to members of another cooperative than it is to our members' farms, we can have that cooperative deliver the milk to our customer; likewise, we can deliver our members' milk to a customer of that cooperative and cut down on the transportation costs.

Kissel: Research and development are our greatest costs. A lot of research efforts don't result in a product. But we need to take risks to advance technology.

Campbell: For the meat sector, grain is our biggest cost. Demand for grain has been increasing with the increase in biofuel production, driving up the cost of pork production.

KCBJ: What's the impact of political issues that might change things for the industry?

Brummel: Immigration reform is important to farmers and something we're advocating for and paying close attention to.

KCBJ: What are other aspects that come into play?

Campbell: As we look at growth, we tend to look at selling what we currently produce. But for us to be successful, we have to sell the products that buying countries want. Tailoring the packaging style, products and portion size is the key to success.

Husch Blackwell LLP is proud to sponsor this Industry First Roundtable event and would like to thank the Kansas City Business Journal and our participants for their contributions. At Husch Blackwell, teams of lawyers with a depth of experience within a particular industry work together, across practice specialties, to deliver comprehensive solutions to help our clients achieve their business goals. To learn more about our Industry First strategy, please visit www.huschblackwell.com.