

Producer Perspectives on Grain Quality Programs

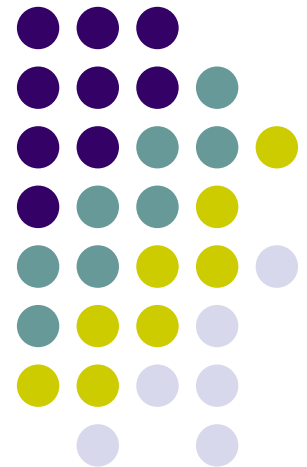
Chuck Cawley, Director, Illinois Farm Bureau®

Prepared for

*New Frontiers in Grain Quality Technology and
Informatics: A National Roundtable*

New Orleans, Louisiana

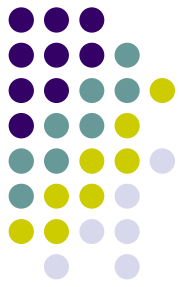
April 13-15, 2005



Overview



- Who's Illinois Farm Bureau®?
- Why do we care about grain quality?
- Market developments
- Market challenges
- Producer contracts and liabilities
- Need for standards
- Opportunities for THE Quality Grain Provider
- Conclusions



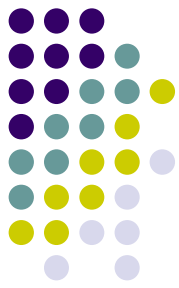
Who is Illinois Farm Bureau?

- 93,000 farm family members
- 3rd largest U.S. ag exporting state
- 17% of U.S. corn and soybeans
- 2% of U.S. wheat and livestock
- Home of major agri-food companies
- Active specialty crop and dairy sectors



Why Do We Care?

- Our members and leaders care (new opportunities and competitiveness)
- Our customers care (primary and end)
- Our legal staff cares (contract questions)
- Our commodity and marketing staff cares (add value to traditional commodities)



Market Developments

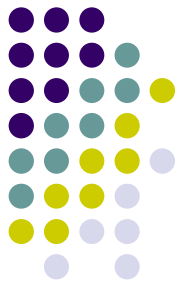
- Increasing competition with other commodity grain producers (South America)
- U.S. producers need to differentiate products to remain competitive or seek higher value markets
- Consumer demands resulting in new product specifications
- U.S. producers well-poised technically to meet the challenge – is the infrastructure?



Market Challenges

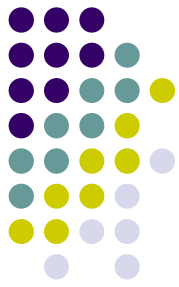
- Opportunities locational
- Premiums depend on market demand and some don't cover increased costs
- Traditional commodity system is a recipe for contamination
- Testing (cost, speed, availability)
- Contracts heighten confusion

Producer Contracts and Liabilities



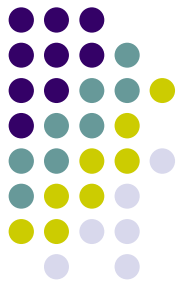
- Typical grain contracts
 - Place enormous responsibility on growers
 - Hold input providers and delivery points “harmless” from “all claims in any way connected directly or indirectly with [grower’s] operations pursuant to this agreement”
 - Contain many undefined terms and attachments
 - Rely on delivery system without clear testing standards or methodologies

Need for Standards



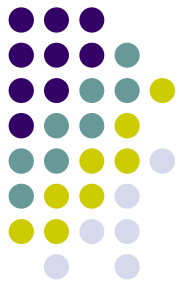
- To answer questions like:
 - How to meet contract requirements for grain given current seed labeling?
 - What level of quality or purity can be attained at the elevator, ingredient, and product level?
 - How can the burden or liability for end product purity be “evened out” in the chain?
 - Who should establish methodologies for testing and how long will it take?
 - What seed, ingredient, and food labels can/should say?
 - What testing tools are necessary, accurate, and reliable and what’s the cost?
 - How can we encourage development of standards and the infrastructure for a higher value grain product?

Opportunities for THE Quality Grain Provider

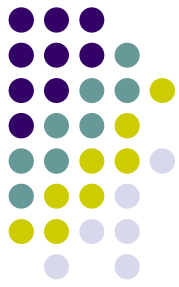


- Future U.S. competitiveness in ag
 - traceable, quality chain key to consumers
 - IP/certification key to premium markets
 - essential to produce future biotech products
 - U.S. has infrastructure and resources to achieve
 - farmers/farm organizations have the will to attain

Conclusions

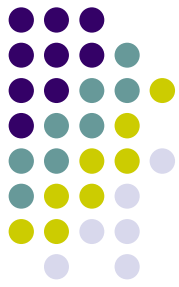


- Progressive farmers want a reengineered grain system – so do their farm organizations
- Agribusiness needs supply assurance (supply chain management, ISO, quality attributes, trace-ability, etc.)
- Lawmakers want food system improvements that satisfy changing consumer needs
- Cooperation needed to achieve



What has IFB done?

- Worked with industry on Contracting Specialty Grains brochure:
 - Tamara White, Sr. Director of Commodities
 - 309-557-3112 or e-mail white@ifb.org
- Established industry relations position:
 - Rich Clemmons, Director of External Relations
 - 309-557-2819 or e-mail clemmons@ifb.org
- Educated producers on contracting and risk management:
 - Doug Yoder, Sr. Director of Marketing and Affiliate Management
 - 309-557-2993 or e-mail yoder@ifb.org
- Cooperated with U of I and others on Grain Quality Conferences
 - Mike Doherty, Sr. Economist and Policy Analyst
 - 309-557-3268 or e-mail doherty@ifb.org



What can IFB do?

- Use its Country Farm Bureau network to reach producers either with information to to gain information needed by industry.
- Use its GrassRoots Issues Teams to address marketing and technology-related issues.
- Use its Technology Issues Advisory Group to address pharmaceutical crop and livestock issues.
- Use its policy development, issues management, and lobbying activities to seek:
 - Funding for necessary research or infrastructure investment
 - Legislative attention to any areas requiring it
 - Partners to work on priority areas above with us