

Strategic Initiatives

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Discover.

Analyze.

Strategize.

Implement.

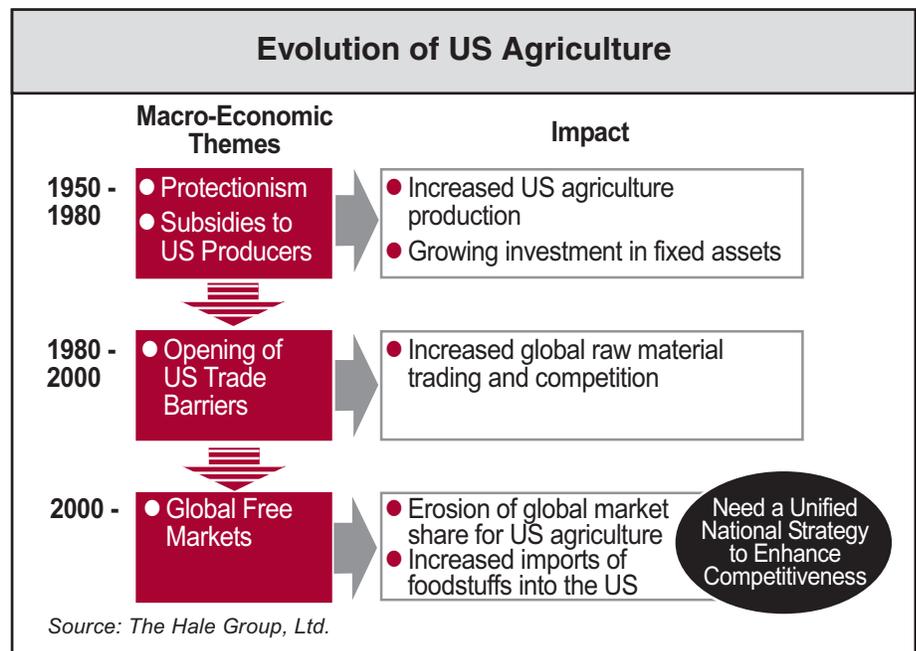
Measure.

US Agriculture Needs a Unified National Strategy

A Call to Action to Industry Participants

US agriculture has an urgent need to develop a unified long-term strategy. This need has never been greater as increasing competition from around the world continues to threaten our global competitive advantage. If US agriculture fails to unify around a strategy, or identify areas of cooperation, its share of global markets will continue to erode, the domestic market will increasingly source its needs from other parts of the world, and returns to all system participants, from farmer to processor, will diminish.

The task of developing a unified strategy is daunting. Attempting to mobilize a \$200 billion dollar cluster of industries to rally around such an effort is a challenge, especially when the industry includes thousands of fiercely independent farmers and organizations with varied commodities, products and differing interests. To further complicate the process, the US economic system is based on competition, not cooperation. ➔



However, recent work conducted on behalf of some leading agricultural commodity organizations, grower groups and governmental agencies, leads The Hale Group to believe that we may be witnessing the beginning of such an endeavor. Industry leaders need to continue the process of building a unified strategy.

On the following pages, we outline why we believe such an industry-wide strategy is needed, and we present our recommended approach to initiating the process.

Why an Industry-Wide Strategy?

The Hale Group's consulting work with diverse agricultural industries over the last several years revealed a common concern across these sectors. Nearly every industry participant agrees that US agriculture has not developed a coordinated strategy or perspective. Agriculture is fragmented into lots of little strategies – even multiple strategies within a single industry.

In nearly every meeting or group discussion involving these industry participants, The Hale Group heard comments such as:

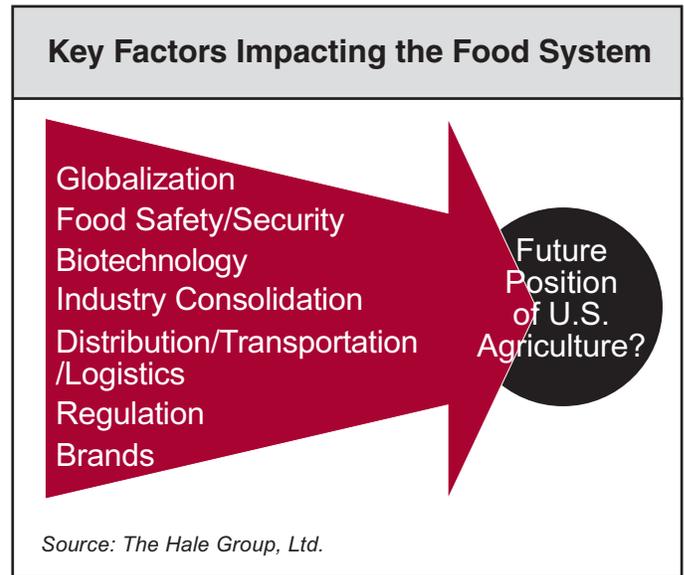
- “There is no unified voice for agriculture at the trade table.”
- “US production agriculture is under threat from multiple fronts and our position is eroding due to lack of a coordinated strategy.”
- “Competing agendas of specific industry sectors have prevented any individual or group from exerting leadership.”

Unfortunately, this fragmentation makes it difficult for American agriculture to fight back against the formidable challenges currently occurring on a number of fronts.

Factors Impacting the Food System

There are several factors impacting long-term change in the global food system and they serve as the ba-

sis for strategic decision making. Each has the potential to alter the basis for competition in the industry. The US agriculture industry needs to rigorously analyze and debate these issues and, in this process of moving to a more unified industry strategy, identify the common ground required to address them head-on.



The key factors and their impacts on agriculture are briefly described below:

Globalization – For the first time since 1986 (an agricultural depression period), imported food products exceed exports (November 2004); and this happened during a time when the US dollar was weak. While there were many factors leading to that month's occurrence, the long-term trend is undisputable.

Food Safety / Security – While food safety and security have always been among the critical issues nearly every sector in the food system faces, this issue has moved front and center, given the era of BSE, Avian Influenza, and the ever-present threat of Foot and Mouth Disease.

Biotechnology – Efforts to date have centered on product agronomic traits or those technologies that provide direct benefit to growers. The pipeline of new technologies suggests that selected product output traits, or those products with direct consumer benefits, will be commercialized. The issues of acceptability, marketing, segregation, etc., are here and now.

Industry Consolidation – While industry consolidation is not a new driver of change, food and commodity processing assets are controlled by a far fewer pool of organizations, thus making buying and selling decisions by these companies more impactful to all.

Brands – Stronger brands mean that agricultural producers tend to experience eroding market power in the larger food marketing system. Promotion of US products in a global brand-centric system can also present challenges.

Regulation – Food labeling, global trading rules, environmental restrictions and labor laws will always be a factor. The question is, “Will foreign producers who supply US consumers face the same regulations as American farmers?”

Distribution / Transportation / Logistics – The world has become more complex. Managing the flow of product has become a massive endeavor that suppliers must make as efficient as possible.

This is a new era for American agriculture with realities that no previous generation has ever experienced. Competition has intensified dramatically and a strategy of “*more of the same*” will fail.

How It Gets Done

So how does such a large, diverse and fragmented cluster of industries rally behind these realities and work together to develop a unified strategy? We see a process that involves three basic, yet unquestionably challenging, steps.

1. Recognize the Need

A majority of industry sector participants must recognize that there is such a need. US agricultural participants will be overwhelmed by the current forces shaping our industry unless they first acknowledge that they are living in an era which poses more challenges than in the past. Furthermore, they cannot and should not expect the US government to “bail them out” of the current situation. US agricultural participants must take matters into their own hands and plan for their own future.

2. Develop Sector Strategies

We strongly recommend that each sector develops its own sector strategy, or what we call a comprehensive industry strategic plan (CISP). The process actually comes from work now underway with the USDA’s Foreign Agricultural Service (FAS). After the CISP is completed, the sectors will work with the industry players to execute the strategy.

3. Create a Unified National Strategy

As a result of the CISP process, individual sectors should identify a common ground inside their own respective industries where they agree to collaborate. Some of these issues will transcend multiple sectors, which will be a starting point for multiple industries to come together.

We believe the pressures outlined previously will not diminish and the international competition is gaining share. As these pressures accelerate, we will see each individual sector move toward new approaches to remain competitive and this unified approach will begin to make sense for more sectors.



Source: The Hale Group, Ltd.

Who Leads the Charge?

Making this major initiative happen will require strong, visionary leadership from people in diverse industry

sectors. The process of identifying the leadership of this effort may, in fact, emerge from the sector CISP process. Leaders cannot be appointed, they need to emerge.

In addition to industry leadership, this effort will require direct involvement and support from the US government. A major element of the creation of a unified strategy will involve policy issues – domestic and international. In fact, this is an area where we will likely see some of the greatest opportunities for cooperation among sectors.

Challenges in the Process

This endeavor requires tremendous time and patience as well as an ability to see past history and envision the future. At the same time, leaders must recognize there will be challenges, barriers, and threats to the process itself.

This process by no means suggests that individual organizations should merge; share industry-specific plans and initiatives; or compromise proprietary assets, knowledge and investments. It aims to identify those areas where there is clear common ground and asks the question, “**Does it make more sense to work together to achieve success or to work individually?**”

The Benefits

If the US does not at least consider the notion of a unified agricultural strategy, it will be disadvantaged compared to other countries. New Zealand, for example, is widely known to have established a national strategy to ensure the success and viability of its export-dependent agricultural sector; and in Brazil, where the country has seen a continued rise in exports driven in large part by agricultural products, the Finance Minister is promoting a more unified approach to investments in infrastructure, etc., to ensure a prominent place in the global market.

If US agriculture fails to identify areas of cooperation among this cluster of diversified sectors and create

the foundation for a unified national strategy, over the long-term, the probability that it will lose both export and domestic market customers increases significantly.

It is time for US agriculture’s diverse sectors to move (albeit, in small steps) into a mindset that goes beyond annual planning or near-term thinking. With such rapid and intense competitive pressure coming from countries not even considered five years ago, US agriculture needs to begin to see the world and its real competition differently, and this raises the value of collaboration as a viable option for improved competitiveness and profitability.

About The Hale Group

The Hale Group is a consulting and advisory partner assisting companies develop fact-based strategies to contend with an evolving landscape. The underlying philosophy of the firm’s efforts on behalf of its clients, and in collaboration with them, is to formulate strategies that enable clients to break through the market clutter and identify platforms for growth.

The Hale Group has developed proven processes and tools to help organizations gain perspective on the opportunities and challenges within an industry. The level of The Hale Group’s participation can take many forms from addressing the overall process or an individual part of the process. However, in whatever capacity we participate, the desired outcome is for our clients to be successful.

Our products and services include:

- *Strategy*
- *Organizational Effectiveness*
- *Market Research*
- *Operating Efficiencies*
- *Opportunity Analysis*
- *Mergers & Acquisitions*

For more information about The Hale Group or to view other Strategic Initiative articles, visit our website at www.halegroup.com or call us at 978.777.9077 (Boston) or 415.285.3616 (San Francisco).