

The new economy is all about partnerships, not just vendors and suppliers. Your sustainability data is your passport to the partnership economy.

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# Global problem. Global solution.

Sustainability in agriculture and food is balanced use of natural, human, and financial resources to achieve the best economic, social and environmental outcomes. These outcomes are collectively the result of what is called triple-bottom-line management. So sustainability is really the net effect of your activities on these three areas. While the definition may seem simple enough, sustainability is a hugely complex issue up and down the agri-food supply chain.

Everyone is trying to answer the same question: How do we balance the health and happiness of the entire population with finite amounts of money, logistics capabilities, intellectual capital, land and water?

If you're a producer, sustainability is about being acutely aware of your place in the agri-food supply chain and how to minimize your footprint while maximizing positive social and economic impacts. By doing this, producers are sustaining farms, families, communities and, ultimately, the consumers who rely on what they produce.

The solution to the greatest problem facing humanity will not be found in the traditionally adversarial relationships between farmers and food companies, activists and consumers. Rather, we have to change this dynamic. The fact is, we're all in this together.

Most importantly, farmers are at the center of attention when it comes to sustainability – while it may seem like the farm is far from the consumer in the big city, the opposite is true. Consumers want to know what happens at the farm, and that can be a valuable position, rather than a burden.

Over the next 40 years, land, energy, water, and weather constraints will place unprecedented pressure on mankind's ability to access its most basic goods— food, fuel, and fiber.

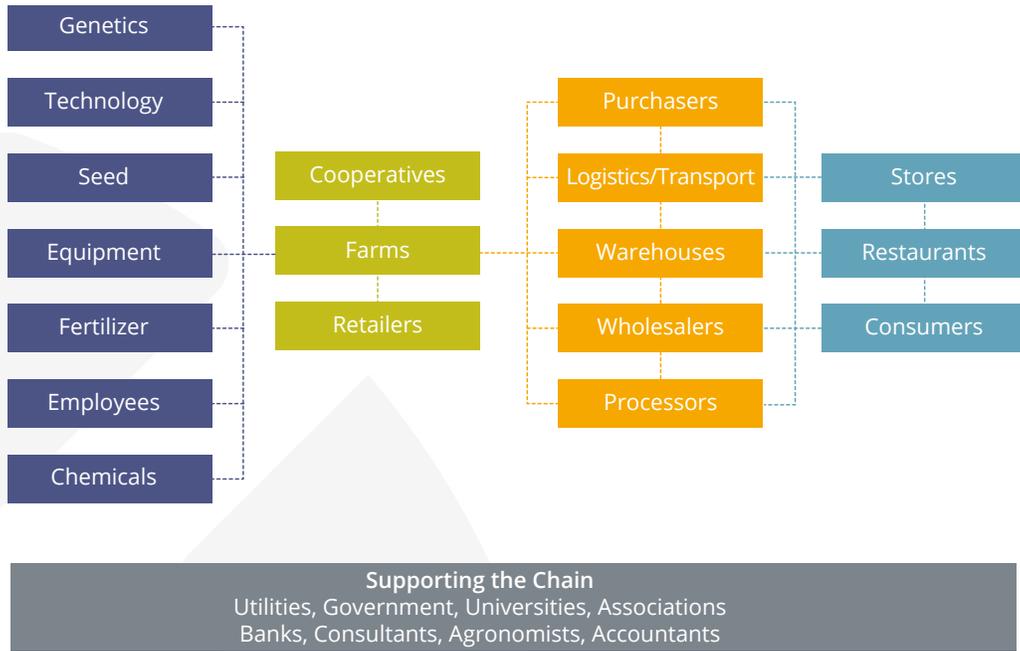
Humanity must now produce more food in the next four decades than we have in the last 8,000 years of agriculture combined.

And we must do so sustainably.

“The 2050 Criteria,” World Wildlife Fund



Figure 1 The Agri-Food Value Chain: A Linear Perspective



On one side of the value chain, global and national food companies and major consumer retailers face extreme volatility and risk in their supply chains: Demand for food is increasing (the earth will house at least nine billion people by 2050), there are higher incomes in developing nations, and the desire for animal protein is increasing. This is compounded by the supply situation: Despite having the most efficient and productive ag industry in the history of the world, U.S. agriculture has had lower investments in research and development, waning support from government/university resources, and enormous resource constraints caused by drought, floods, extreme heat/cold, and storms.

Sustainability is probably not the first thing that comes to mind when you think of these issues. But because sustainability is triple- bottom-line management—economic, social, environmental—the kinds of risks you encounter every day are the same types of risks faced by everyone in the supply chain. And they form the basis for why the food and agriculture industry must champion the cause. Everyone has to cooperate to get it right.

***Organic  
does not equal  
sustainable***

There is a lot of information from retailers, media, large processors, and other groups about topics like antibiotics, organic, all-natural, grass-fed, etc., but this is not the same thing as sustainability. Sure, there are market opportunities in these areas, and you may even be working in those markets. These attributes are components of, not definitions of, sustainability. **Sustainability encompasses your entire operation.**



To put it another way, sustainability is about people, businesses and the world, not just crops, livestock, or food products. A product itself is not sustainable—but the ways it is grown, raised, or managed should be. For producers, the key to this is gathering the right data and information to prove your sustainability to consumers.

## **CALL TO ACTION**

We put this white paper together because we want you, the high-impact producer, to understand where you are in the new agri-food supply chain. You are no longer holding on to the tail of a giant dog that is a mix of consumer whims and corporate buying power. The very soil you are standing on contains the key to the world's future. The decisions you make to ensure the sustainability of your farm business will drive the global food industry's ability to feed an earth that will have 2.5 billion more people in 25 years.

It won't be easy. It takes a high level of preparation, planning and execution. But it is not only possible; it is inevitable, that you help orchestrate the solution to feeding the world with every step you take on the farm. It is time for you to take your place the driver's seat. Now let's take a look at the road map.

## **SUSTAINABILITY: THE NEW PARADIGM**

Crop and livestock production used to be about taking costs out of the food supply chain, but that's not enough anymore. Sustainability is the new currency of food and agriculture. This is the shifting paradigm of food and agriculture in today's world.

Not long ago, Wal-Mart changed the paradigm when it demanded that its vendor-suppliers open up their books and demonstrate their leanness and profitability. That meant the cereal, bread and meat companies had to institute trackable cost-cutting measures or be replaced by another supplier.

To relate this directly to what you do as a producer, think about the pressures you deal with every day to make a living while the companies—Cargill, ADM, Pilsbury, General Mills, Tyson, et al—are working to cost-effectively process the commodities you grow into packaged goods and ingredients for stores and restaurants. These companies—your direct customers—and the competitive marketplace hold you to a high standard of performance because their feet are held to the fire every day by the same types of forces in their part of the supply chain.



Today, the paradigm extends beyond financial profitability to a new measuring stick called the triple bottom line. Soon, if you want to do business with businesses the size and scope of Wal-Mart and the companies between you and their shelves, you will have to demonstrate the following: economic, environmental and social sustainability, not just efficiency.

***Go from the back of the line to the center of attention***

This is really good news for you, the high-impact producer who wants to stay at the top of your game. That's because in a triple-bottom-line scenario, you are no longer at the back of the line with a partition separating you from the consumer.

For years, even the most successful top producers have viewed themselves as price-taking commodity producers with little say in how to serve a consumer that seems to be a world away.

Under the new sustainability paradigm, you are at the center of a partnership-oriented value chain where your interests are perfectly aligned with those of the consumer, the food companies, and the retailers. (See Figure 2 below.)

All it takes is preparation, planning and a focus on results that are mutually beneficial for everyone involved.

This is the essence of a transparent, communicative supply chain where collaboration is the norm and the participants trust each other. This is where sustainability lives.

**THE NEWS IS MOSTLY GOOD**

Farming practices are becoming highly scrutinized by the food supply chain, from large food processors to the grocery store shopper. Everyone seems to think they know how you should be doing your job as a producer. Each day you read another article about how beef causes cancer and dairy cows are the biggest contributor to global warming without mention of how efficient U.S. farms meet global demand for food. As if inputs, labor, weather and commodity prices weren't enough, you're under an ethical microscope, to boot.



It would seem that the way to address this is to change public perception of what you do. However, that's not the real problem, nor is it the real issue. Consumers aren't on trial. Their tastes and attitudes will change. And the big food corporations have enormous budgets to handle these new challenges. You don't.

**As a producer, you must focus on what you can control at the farm level.**

The good news is that the food companies, restaurants, and retailers, who are closest to the consumer, are already taking steps to adopt a sustainable approach to business. They know they have to work with producers if they are going to meet their own triple-bottom-line goals. They know it's about more than posturing and public relations. Most of all, they know the opportunity for new markets and loyal customers is well worth the investment. Especially when they factor in the risk of maintaining the status quo.

We've already seen food companies declare their allegiance to certain methods of producing the commodities and ingredients in their meals and packaged goods. This has mostly been a response to a signal from a niche market, such as gluten-free food.

***Sustainability makes you  
the star of the show***

That's where you come in. They can't do it without you. You're adding a greater amount of the value with your activities and practices on-farm every day! The value is all front-weighted where processing and logistics meet the consumer.

***It's a collaborative relationship***

*Remember, this is triple-bottom-line management. It's not about the characteristics of the product. It's about the character of the agri-food supply chain that produces it.*

*Sustainability is not a strategic choice about whether or not to produce an organic line of food. Sustainable practices are the new pre-requisite for food companies to remain competitive long-term. And they want to be your partner!*

*At some point, promises and claims must be backed up because regulatory authorities and consumers will demand evidence and enforcement. The people who make the purchasing decisions at the food companies are scrambling to move to a triple-bottom-line way of doing business. It's in the news every day.*

*Adjusting your way of thinking and being ready to pivot your operation in the right direction empowers you. It simply requires the right mindset, flexibility, careful management and an understanding of the new playing field.*



## WHAT IS SUSTAINABLE FARMING?

### Sustainable farming:

- Uses modern agricultural methods
- Happens on farms of all sizes and types
- Applies to all areas of the agri-food supply chain
- Improves what you do, is not a paperwork exercise
- Is a journey, not a destination

### Sustainable farming is not:

- One-sided or dictated
- A type of food (like organic)
- Only about the environment
- Incompatible with profitability and efficiency

Sustainability is about how you run your business every day. But lately, a lot of people seem to be telling you how to do it, and this puts your farm in the hot seat. So how do we tackle this? We'll cover specific action items a bit later, but it's important for you to know that **sustainability is not an option or just a possibility.**

Sustainability is as essential to your farm as water. But it is not as simple as flipping a switch. Many industries have certifications, like ISO 9000, which are very well suited to a manufacturing plant. But these systems do not fit well on the farm because it is a living system, dependent on weather, chemistry, ecology, biology, and other natural forces humans cannot control. It is more important to focus on what is working what is not. Doing this will ultimately help your farm sustainability in the long-run.

## THINK WIN-WIN

Here's why you should be implementing a farm sustainability plan: **Your farm is at the center of the agri-food supply chain.** And there will be at least nine billion people on the planet in 2050 needing food, fuel and fiber. Further, an increasing number of people want more animal protein, more choices, greater convenience and healthier options. The beauty of this new paradigm for you, the producer, is that doing the right thing is no longer solely a part of your farm's value system. **Your values,** when turned into sustainable and documented farm practices, **are the critical component to the long-term success of the entire agri-food supply chain.**

The big, positive difference for you as a producer is that the system will, if you make the right moves soon enough, reward you for doing the right thing. You will see tangible returns for a little effort performed under the guidance of a sustainability advisor.

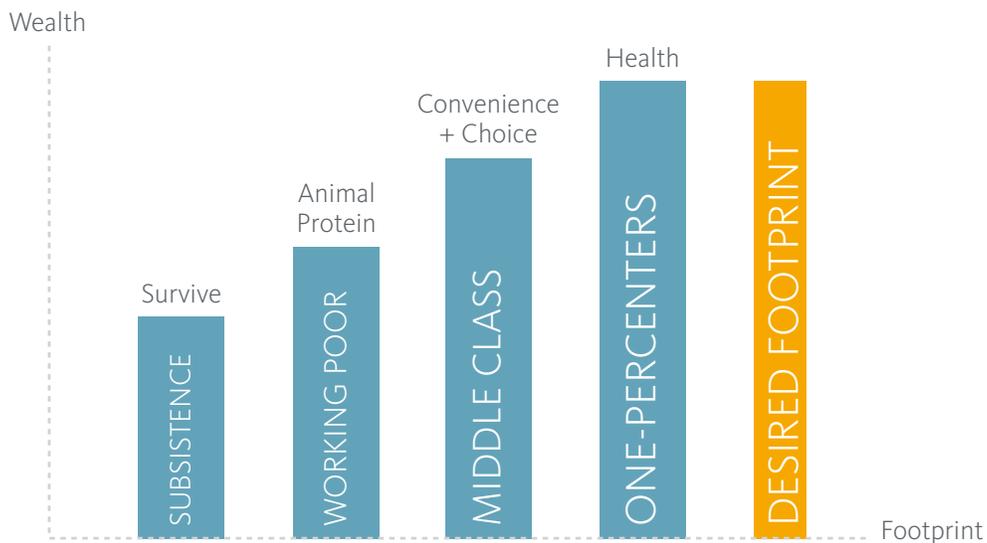


There are challenges to consider, but the scale and velocity of change and growth in global food supply and demand is staggering. Here is one example of how an increasingly dynamic and in-interconnected food system is creating new opportunities for you.

**Feeding more wealthy meat eaters requires sustainability**

Already, there are 250 million people in China who make the same income as the median wage-earner in the U.S. It might be true that many of those consumers, along with the emerging middle class in India and other nations don't want McDonald's French fries (for now), but you can bet they want a little more pork, beef, lamb, goat or fish on top of the rice, noodles or millet in their bowl.

Think about it. No one says, "Yay! Now I have more money! I can keep eating one scant bowl of rice each day." No! They say, "Pass the pork!" Then they become still richer and they want to know what the pig had for breakfast the day it died. Every day, we replace more of Asia's fatty animal protein with leaner, healthier cuts of beef, pork and chicken. And, as their incomes rise, Chinese consumers demand more from the global agri-food supply chain.



U.S. farms export 21.5 percent of U.S. pork production and 10 percent of beef production<sup>1</sup> to help feed the world. We have the most efficient farm operations in the world. What it means is that you are facing intense and growing demand for your products, while U.S. consumers are demanding greater information about how you farm. These forces require you to come up with a plan — and not just a plan for “someday” but a plan for today, tomorrow, next year, and the next five years.

Until recently, accommodating all these sophisticated consumers’ wants ran the risk of leaving a sizeable environmental, social and economic footprint. It’s true that if not managed in a sustainable manner, inputs of energy, raw materials, feed, human resources, and even water can create costly external impacts. Our food supply chain had mastered the ability to deliver what consumers wanted. Now, we’ve upped the ante to include doing it in a sustainable way.

## SUSTAINABILITY IS NOT A FAD

It wasn't that long ago that we created organic and gluten-free food products to meet emerging demand. Those markets are still only about five percent of the total U.S. food industry. This isn't about producing a niche food product for a market segment. Meeting demand for 15 to 20 million people is a lot different than adapting resources and processes to meet the diverse needs of 500 million new middle-class households around the world by 2050. Again, we're not talking about a type of food or whether or not it is treated with pesticides. That is just one small part of a sustainable farming operation.

The need to adopt sustainable farming practices is staring us squarely in the face. Throughout history, it has been your job as a producer to adapt to changing conditions and desires. This time is no different.

The good news is that we are in an industry where we do the right thing. Pick an issue. Animal welfare, water conservation, wildlife conservation, habitat preservation, good employment practices. These are all examples of farmers doing what's right in spite of the fact that few people understand what you do.

We've seen how well it works when we try to "educate" the consumer about what we do in agriculture. It's kind of like teaching calculus to third graders. We might as well be speaking another language, so they tune us out. In fact, only 28 percent of respondents say they trust the food system<sup>2</sup>. With all of the good work going on in our industry, how can that be?

Part of the problem is that there is so much false information floating around and consumers don't really know what to believe. Many times, they end up accepting incorrect information as fact. And we all know what happens when you're on the other side, trying to offer an alternative point of view. It's too little too late.

## WHAT DOES WINNING LOOK LIKE?

The fact of the matter is that all of us in the agriculture supply chain has shifted towards greater partnership. This is necessary in order to gain value throughout the system. What this means for sustainability is that we can no longer sit idly by while consumers change their minds, we have to change their minds – we have to anticipate their moves. How in the world can we do that?

The great sales motivator Zig Ziglar tells a remarkable fable about winning people over.

*A young lad was confronted by three bullies with violence in mind. Quickly, the little guy drew a line on the ground, stepped back several feet, looked the biggest bully in the eye and said, "Now, you just step over that line." Confidently, the big bully stepped over the line, preparing to commit mayhem on the little guy. Quickly the little fellow grinned and said, "Now we're both on the same side." Physically, they were both on the same side. But emotionally they were still some little distance apart. The smaller boy improved his chances of getting on the same side emotionally by his touch of wit and wisdom. This is an excellent combination to defuse most crisis situations and represents a major step in solving whatever problems exist.*

The boy didn't win by talking to the bullies. He won by inviting them over to his side. In the case of consumers and activists, we might be the ones who have to step over the line. But we have to do it carefully and strategically, with data at our back and innovation at our feet. Would that be so bad?



## JUST DO IT

The best way to do it is to get started. Today. There are simple processes that can help you address the vast, complex world of farm sustainability. The reality is that the issues a farm manages are complex, but nothing new. What you need is a way to focus on the right areas. This is where a sustainability advisor helps. Going through a full business scan of your farm is the best approach to sustainability. There is no one-size-fits-all approach – what makes the process meaningful is someone who is in the trenches with you, figuring it out, making it work for your unique situation.

## WHY

- Consumers now believe what they buy sends a bigger social message. It is more important to them than voting in our elections. And what they buy will be dictated by what they know about you, about how you run your farm. Their money goes where they can understand how their food was produced.
- And so far, consumers do not know us, they do not know us enough to build trust. Despite 79 percent of consumers being familiar with sustainability, only 21 percent of them can find a sustainable product. And sadly, only 14 percent can identify a sustainable company. It is simply not enough to tell someone you are sustainable, you have to pair smart data with your unique and compelling story.

You are a high-demand farmer, you are someone that processors and food manufacturers want in their value chain. You want to be the safe bet, the one they rely on, the one they come to for more products – because at the end of the day, that is what triple bottom line is all about – making sure that your farm is around for your next generation.

## WHAT

- Creating and implementing a plan that addresses all the moving parts of your farm operation and ensures the strategies in each area are managed to the triple bottom line of net positive economic, social and environmental benefit.

## HOW?

- Look at production, financial, human resources, community impact, environmental impact, resource utilization and every other part of your business from Policy to Plate with a Full Business Scan.

## WHAT'S IN IT FOR YOU?

One important outcome of a comprehensive plan for farm sustainability is the ability to change people's minds when it comes to things like animal welfare, environmental footprint, social responsibility and other hot-button issues.

But it's important for you to know that the benefits of sustainability don't start and end with consumer opinions.

If you're a farmer reading this, chances are you're part of a third-, fourth- or even seventh-generation farm family. There's a reason you're still in business. But family succession is not even a metric in most supply-chain sustainability frameworks – they don't even count it.



The new economy is all about partnerships, not just vendors and suppliers.  
Your sustainability data is your passport to the partnership economy.

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This is exactly why the best tool in your toolkit is your ability to measure and prove your sustainability. This will create new business opportunities and a triple-bottom-line re-turn to your business: economic, social and environmental. Not to mention staying out in front of regulatory and certification requirements from agencies and corporations.

1. **NEW MARKETS:** What would it mean to the bottom line of your business if you can approach a new customer, show them your sustainability performance, and engage them in a new way? Maybe it is securing some dedicated contracts or extending the length of your current ones? What would be possible if you can prove that you're a 'safe bet' to your customers?

Another potential source of income is setting aside land in conservation easements that can be counted as offsets for industry and development activity.

*Sustainability can be a point of differentiation in your existing markets and open up completely new markets.*

2. **NEW PROCESSES:** How would it improve your business to have new engagement with your employees or be able to bring technologies to your farm? What if you can engage with others to develop best management practices?

*Sustainability can make you and your supply chain partners more efficient, and it can help solidify new and existing relationships.*

3. **NEW METRICS:** What if you could find new ways to measure your business' success and communicate those to folks who don't understand what you do? What would that mean for the future of your farm?

*Sustainability is part of the solution to breaking down the wall between consumers and the agri-food supply chain.*

4. **YOUR LEGACY:** What if size didn't matter to ensuring the future success of your farm? What if someone could help you implement a plan that minimized the risk of being out-competed or beaten down on price so you had a more secure future to pass on?

*Sustainability is an informed plan for monitoring and maximizing your success—today and down the road.*

Tackling all of this on your own is complex, and it may not seem worth the effort to figure it out.

## **DOING A FULL-BUSINESS SCAN**

That's where we come in: we've boiled down the issues that the agri-food supply chain cares about into topics that fit for your farm. From agrochemicals to water, we simplify sustainability into a full-business scan of your farm. We'll look at the four main areas above, and bring in people who have "been there, done that" in areas like farm programs, policy, estate planning and business succession, tax planning, supply chain dynamics, agronomics, farm management, finance and expansion strategies, real estate, ag law and more.



**Imagine being able to give a prospective customer a report when asked for specific characteristics and processes on your farm or ranch.** Make no mistake about it: if the consumer wants it, the conditions demand it and the food processors and retailers want it, those requirements will find their way to your doorstep. We'll make it simple for you. No more figuring out what questionnaire to fill out, or which calculator to use, we do that work for you. Because you need to focus on your business.

## SHORT-TERM AND LONG-TERM BUSINESS PLANNING

Once we've given you a baseline report and recommendations on your operation's sustainability or triple bottom line, we turn our attention to creating a business plan. The inevitability of scarce resources and the magnitude of wealthier food consumers poses risks and opportunities for your farm business. You must prepare to respond to various scenarios of growing conditions, supply and demand, competitive environment, input costs and other key variables. This is the only valid way to be sustainable.

## MARKET POSITIONING

If sustainability is the currency of the new agri-food supply chain then transparent data is the passport—the ticket to the dance, if you will. But remember: your data is yours, and it is valuable. We won't let you give it away.

At the top of this conversation, we talked about Wal-Mart asking its vendor-suppliers to open up their books and the food and packaged goods companies had to follow suit. This was inevitable, because Wal-Mart's goal, all along, was to be the low-cost supplier in its market space. Because there can be only one low-cost supplier in any market, even a big dog like Wal-Mart has to exert buying power on its suppliers, putting them up against the wall. **At K-Coe Isom, we believe producers have been price-takers for too long.** And while we understand that markets determine prices, our goal is to take the knowledge we glean from your full business scan and business plan and put you in position to take advantage of a niche or comparative advantage. That's the beauty of sustainable agriculture. It puts you in the driver's seat.

### **We don't just tell you, we make it happen**

Sustainability isn't pie-in-the-sky or some fluffy concept. It's real. It's here. It's not just about identity-preserved grain or traceable animals. The new paradigm is much broader, and the opportunities are bigger. We're already helping producer clients and food companies transform their businesses into sustainable enterprises. It boils down to this:

- The need for sustainable farming is real and it's here.
- K-Coe Isom is uniquely qualified to help you start taking advantage.
- We don't come to your farm, hang out for a week, then give you a stack of paper and an invoice. We take our clients' farm operations from policy to plate by:
  - Identifying gaps
  - Setting benchmarks
  - Putting a plan in place
  - Guaranteeing your success\*

We are certain of our ability to create a new level of success for your operation because we won't just tell you to go get a new contract with a food company, distributor or processor.

We will introduce you to them because we work with them every day.



At K·Coe Isom, we spend all day every day thinking about ways to make farmers more profitable. That's why we break this down into a simple process for you.

- **NEW MARKETS:** Capture data that existing or new customers want to know about your farm – what are you already doing in areas like employee training, nutrient management, animal care? Do you have this information in one place? Is it written down?
- **NEW PROCESSES:** Identify processes that you may be doing on the farm that you never thought of as sustainability. Think about those areas you are not yet focused on, but should be – how do you prioritize?
- **NEW METRICS:** Figure out new ways to measure what your product is worth, not what it costs. What makes your products different? How do you ensure you are getting quality, quantity, and performance?
- **YOUR LEGACY:** Leverage your longevity – make sure that what is working best continues, and what needs to be changed is done so because it makes good business sense for you. Identify where something might not work for your farm and why it does not.

**It all starts with you, and the decision to assess your business along those three important parameters: economic, social, and environmental returns.**

## **OUR PRACTICE MAKES YOU PERFECT**

In working with farmers on these very ideas, we have seen new agreements forged and new customers engaged.

One farmer engaged with a new customer and put 2,000 acres under a new variety of seed so they could enter a new market opportunity in conventional corn.

Another farmer was interested in acquiring new land in another state to grow more acres of wheat and expand their cattle operation. They needed to understand the long-term natural resource constraints they were potentially facing and whether those would affect their decision to expand.

These are just limited examples of the sustainability story that is unfolding every day. The world is changing. We must adapt or become irrelevant.



*A wise man once said that a mountain exists between rural America and urban America.*

*In only a century, 98 percent of the farming populous moved to the cities to work in offices and factories.*

*As our forefathers moved from the country to the city, they shook the dust from their shoes and it formed a mountain that separates us.*

*It's time for that mountain to come down.*

*We are bringing down that mountain one shovel-full at a time.*

*Won't you join us?*



## RESOURCEMAX™ ADVISING

Getting started on your sustainability journey begins with an initial conversation – we sit down with you to understand your farm’s vision and core values. This conversation leads to a tailored assessment process. The assessment is self-directed, with our advisors help-ing every step of the way. Best of all, completing it means you have just completed a full business scan of your farm. Our experts analyze the information you provide us in order to develop short- and long-term actions, communication messages, market analysis, and financial, operational, HR and risk management strategies. Over time, we work with you to capture and analyze additional information as your farm grows and changes each year. Because sustainability is a journey, not a destination.

## YOUR SUSTAINABILITY NAVIGATOR



**Emily Johannes**

Manager  
K-Coe Isom

*Emily is Director of the ResourceMAX™ program for K-Coe Isom, a national ag accounting and financial consulting firm. She has deep expertise in sustainability, and advises progressive producers on using performance metrics to their advantage, responding to customer demands, opening up sales opportunities, and negotiating with key business partners.*

*An ecologist, Emily has worked with many industries, including agriculture, government, fisheries, construction, disaster response, defense, and national security, on environmental and sustainability assessment programs, training, strategic planning, and data analytics. With 15 years of experience working with people with serious business needs, she brings a broad, real-world perspective to address the complex issues that food and ag businesses face.*

1 The United States Meat Industry at a Glance. North American Meat Institute. Accessed on November 11, 2015 via <https://www.meatinstitute.org/index.php?ht=d/sp/i/47465/pid/47465>.

2 Cracking the Code on Food Issues: Insights from Moms, Millennials, and Foodies. The Center for Food Integrity 2014 Consumer Trust Research.

\*Money back on initial assessment if not satisfied. If you elect to move forward, the money you pay for the initial assessment will be credited to your service package.

