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The Food Industry Center

2016 ANNUAL REPORT



UNIVERSITY OF MINNESOTA

OUR MISSION

The Food Industry Center will develop leaders for tomorrow's food industry. Through research, educational programs, and industry collaboration, it is a leading source of knowledge on how food reaches consumers efficiently and contributes to safe and healthy lives.



ABOUT US

The Food Industry Center (TFIC) was founded in January 1995 at the University of Minnesota as one of several Alfred P. Sloan Foundation Industry Studies centers and the only one that studies the food industry. TFIC has had an illustrious 21 year history of conducting primary research on the food industry and offering forums on current industry topics and best practices. Originally established as *The Retail Food Industry Center*, the Center changed its name to *The Food Industry Center* in 2001 to accurately portray the breadth of food industry studies the Center conducts.

A NOTE FROM THE DIRECTOR

This report highlights some of the accomplishments our students have had over the past year and other activities that are happening in the Center. In many ways this is an interesting time to stop and reflect. The University of Minnesota is a very large organization, one of the biggest public universities in the United States. Change tends to occur slowly. But in the area of consumer food marketing, the pace of change is fast. It has been an exciting time for the University of Minnesota and our faculty who work on issues related to The Food Industry Center's mission.



Michael Boland
Director, The Food Industry Center

As you will read later in this annual report, we launched a joint collaboration between the College of Food, Agricultural and Natural Resource Sciences (CFANS) and the Carlson School of Management (CSOM), which will result in several courses on the food economy being taught to MBA students and agricultural science graduate students. And, over the past four years, seven of our doctoral students have taken academic jobs in the agribusiness economics and management subject area, an area that includes consumer food marketing. You'll find our alumni at Purdue, Michigan State, the University of Wisconsin system, North Dakota State, the University of Georgia, Virginia Tech, and California Polytechnic University at San Luis Obispo. Many of their research projects involved cooperative agreements with the U.S. Department of Agriculture to support their research. While doctoral students work under the direction of an advisor, students are really the product of staff across the entire university. Faculty who teach classes, instructors who supervise them in their work as a teaching assistant or research assistant, and staff in the Preparing Future Faculty program all deserve some credit for the success of our students.

Our undergraduate students continue to do well. The curriculum changes we made several years ago are now beginning to pay off with our undergraduate enrollment being the largest in almost 35



Emily Coborn, Ryan Nilsson, and Keith Sisk (left to right)



Cindy Sorensen (Midwest Dairy Association) and Aileen Munster (National Grocers Association)



Dahye Han, Kristi Schweiss, Jayne Wilgus / Back row: Chris Morris, Andrew Keller, Curt Eischens, William Nelson / Front row (left to right)

years and enrollment in the Agricultural Food and Business Management (AFBM) degree being the highest ever. The two most common minors our AFBM students choose are Marketing and Supply Chain Management.

The food marketing class was taught by Hikaru Peterson, who joined the Department in August 2015. The students were involved in three course projects: studying about a food sector using market data, conducting a conjoint analysis using a panel of Midwest consumers on a food product, and offering an interactive workshop on controversial topics in food. The products students chose for conjoint analysis included ice cream, beef jerky, chocolate, cookies, and apples, examining attributes such as organic, fair trade, gluten-free, and SweetTango. Workshops were impressively creative on topics ranging from GM foods to soda tax.

Our relationship with CSOM continues to grow. In January we collaborated with the Carlson School of Management on their Business of Learning series with a topic called "Minnesota Food Businesses: Giving Consumers Choices." A panel with Hannah Barnstable (Seven Sundays), Heidi Emanuel (General Mills), and Kate Leavitt (SunOpta Foods) discussed their efforts to provide consumers with choices. I led off the evening with some information on trends in labeling and packaging claims.

You will read more about this year's National Grocers Association (NGA) marketing plan competition. One of the team members, Crystal Siemers-Peterman, was awarded a scholarship from the Asparagus Club. This was the first time that a UMN student received one of the NGA competitive scholarships. I moderated a panel at NGA on "In-Store Meat Cutting – What Does the Future Hold." Participants

included Emily Coborn, Vice President of Fresh Merchandising at Coborn's headquartered in St. Cloud, Minnesota; Ryan Nilsson, Meat Department Supervisor with Geissler's in New England; and Keith Sisk, Meat Director at Queen's Price Chopper in Kansas City. Our monthly luncheon speaker series continues to be popular with students.

A group of students and faculty attended the "Youth Empowerment Town Hall" activity (<http://www.genyouthnow.org>) hosted by the University and sponsored by food industry firms.



MN Students, Faculty and Industry at Youth Empowerment Town Hall



Erik Hanson and Will Secor at Agricultural and Applied Economics Association Annual Meeting

Andrew Keller, an M.S. student working with Bill Lazarus and me, received the Elroy Webster Scholarship from the Ralph K. Morris Foundation at a meeting in fall 2015. Andrew and the other scholarship recipients are shown in the photo with trustees of the Foundation at a reception held in Minneapolis.

Two of our doctoral students, Erik Hanson and Will Secor, participated in the annual Agricultural and Applied

Economics Association Graduate Student Case Study Competition. Their topic was to analyze an integrated malt barley, hops, and craft brewery in the Pacific Northwest and look at various business strategies. The team came in a close second, missing first place by just one point. Erik is now an assistant professor at North Dakota State and Will is an assistant professor at Virginia Tech. Both have teaching and research appointments in food and agribusiness economics and management.

We cannot do our work without the help of our industry sponsors: Aaron Riippa, Drew Lein, Andy Engstrom, Mark Wilhite, and others at General Mills; Nick Koehler, Andrew McBride, Tom Wegner and more at Land O'Lakes; Cindy Sorensen and so many others at Midwest Dairy Association; and Steve Aaenson at Old Dutch. There are so many people who help us throughout the year and I need to stop listing names because I do not have enough space! But one final thank you has to go to Sue Pohlod who organizes all

of the luncheons and other activities with TFIC. She makes everything work perfectly! Finally, Ben Senauer who was co-director of the Center for three years and has been involved in a number of TFIC activities and taught a number of graduate and undergraduate courses in food marketing is retiring in June 2016. He will be missed but will still be involved in food marketing activities.

In this annual report, you will learn more about our student activities and center events for the July 2015 to June 2016 time period. The contributions we receive from our sponsoring members are leveraged to support our many activities like those listed throughout this report. They also allow us to leverage competitive grants to support graduate students, research, and outreach activities.

Feel free to contact me at boland@umn.edu or 612.625.3013 about any issue.



FOOD INDUSTRY LEADER IN THE CLASSROOM

The Food Industry Leader in the Classroom luncheon series invites food sector professionals into the classroom to meet with University and food sector students to share their knowledge about working in the sector. This past year, we had the following speakers.



Ryan Okeson

On October 13, 2015, Ryan Okeson from Target Corporation spoke about supply chain management issues at Target based on his more than ten years of experience in Supply Chain Management, Business Partnerships & Negotiations, New Format Strategy, Buying & Enterprise Key Initiative Strategy.



Leslie Campbell

On November 10, 2015, Leslie Campbell, Senior Customer Business Manager for The Dannon Company, spoke about the yogurt category and careers in consumer packaged goods in Minnesota.



Mary Wilcox

On February 24, 2016, Mary Wilcox spoke about consumer trends in dairy manufacturing using data from her position with Midwest Dairy Association. Students learned about the many uses for powdered milk and how whey has become an important source of protein.

More than 100 students attended these luncheons.

THE FOOD AND AGRIBUSINESS MARKETPLACE



Agricultural Science Graduate and MBA Students

In spring 2016, the College of Food, Agricultural and Natural Resource Sciences (CFANS) and the Carlson School of Management (CSOM) collaborated on a new initiative to teach a course to graduate students in agricultural sciences and MBA students. The course title is Food and Agribusiness Marketplace and we had 34 enrolled students with almost 1/3 from CFANS and 2/3 from CSOM. About 1/3 of the students are working full time at General Mills, Cargill, and Land O'Lakes. A food industry speaker started each class with participating firms including General Mills, Land O'Lakes, Coborn's, CHS,

Cargill, Seneca Foods, and Midwest Dairy Association. The course included more than 40 short readings on current issues in food ranging from animal agriculture issues such as use of gestation crates; food labeling issues; industry specific issues such as marketing orders, the Farm Bill, and trade agreements; agricultural development, poverty and malnutrition; and other topics. The course was well received and the life experiences of the students and backgrounds in production agriculture, agricultural sciences, and work experiences created good discussion in each class.



STUDENT ACTIVITIES

LEARNING FROM INDUSTRY COLLEAGUES AT NATIONAL GROCER ASSOCIATION MEETING

The Food Industry Center's student team for the case study competition at the 2016 National Grocer's Association Convention was Sami Fleckner, Austin Liepold, Crystal Siemers-Peterman, Sam Seelos, and Rebecca Steen. The students participated in NGA's 5k to help raise funds for the NGA scholarship program. The students served as moderators and attended workshops.

Sami, a veteran of the competition and who recently accepted a position at Land O'Lakes, said, "This was my third year in the competition and I have learned a lot!"

"We had really worked hard at creating a financial planning tool for our marketing plan," said Austin, who has taken a job as a risk management associate with Intl FCStone. Crystal, who is interning in Retail Dairy Food Sales for Land O'Lakes again this summer, said "We lost again to Arizona State and we worked hard. Next year I will be participating again."

How would you implement at-home delivery of groceries?

This year's industry client was Davis Food and Drug, a Utah grocer. The students defined the problem as the need to balance the economics of home delivery with the idea that different segments desire different levels of service. They built their solution around a membership strategy, which included three levels of memberships with a different fee and included different products and services with each level of membership. No one else had thought of this particular idea, and the judges were impressed.

The number of schools in the NGA competition continues to increase each year. This year, teams came from Louisiana State University, St. Joseph's University, Arizona State University, Cornell University, North Carolina State University, Utah State University, University of Georgia, University of Illinois, Fresno State University, Western Michigan University, Cal Poly San Luis Obispo, Auburn University, University of Alabama, and Portland State University.



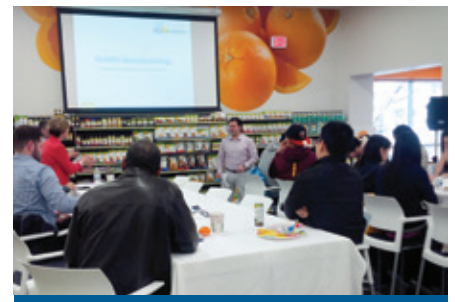
Sami Fleckner, Crystal Siemers-Peterman, Austin Liepold, Sam Seelos, and Rebecca Steen (left to right)

The Food Industry Center and Department of Food Science and Nutrition partnered with Midwest Dairy on the fall 2015 Dairy Academy, which included a visit and interviews with various store managers of Jerry's Foods, a tour of First District's dairy processing facility in Litchfield, and a visit to a dairy farm. Over 30 students participated.



Students after their dairy farm tour

In April 2016, we partnered again with Midwest Dairy on a food industry and retail grocery careers activity, which included a visit to SUPERVALU offices where the students heard from speakers from Kemps who spoke about processing milk into various dairy products. Catherine Proper from SUPERVALU spoke about careers in SUPERVALU and other employees provided breakfast and samples of products being developed in their kitchen. Then the students visited Jerry's Foods where they heard about careers in retail grocery. A theme of careers in the dairy industry was used to focus the event. Liqi Zhang, an applied economics students said, "There was a lot to learn about the U.S. food industry and we also got to see how a store determines where food products go in the store."



Kyle Punton discusses challenges for forecasting food product demand at Kemps



Wanda Goenner discusses careers in retail grocery industry

GRADUATE STUDENTS

Faculty working on food systems research have a number of doctoral students funded by government and industry projects at the present time. We have been very competitive in securing external funding to support our students as they pursue their degrees. Funding includes a monthly stipend, tuition, insurance and benefits, and funding for travel to present their research at a conference. Here is a summary of what some of our students are doing.

Joel Cuffey is a third-year student focusing on the impact of SNAP on employment and food security, the potential effect of restrictions on SNAP purchases, and the extent of food deserts in the Twin Cities. He is working with Elton Mykerezi.

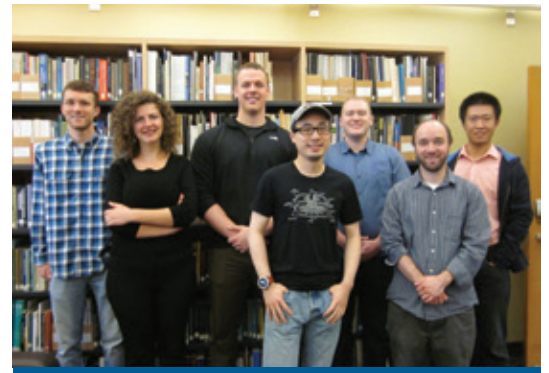
Jeta Rudi is a Ph.D candidate working on the issues pertaining to healthy food consumption and food safety with Metin Çakır.

Yanghao Wang is a third-year student. In one project, he is working on the issues

pertaining to foreign animal diseases, such as avian flu. In another project, he is working on constructing regional price indices using supermarket scanner data. Yanghao is working with Metin Çakır and Mike Boland.

Cael Warren is assessing the healthfulness of food distributed by food shelves by calculating monthly Healthy Eating Index scores for a large sample of food shelves served by Second Harvest and The Food Group. Cael is working with Rob King.

Fanda Yang is a fourth-year student working with Marin Bozic on risk management related research on the Margin Protection Program for Dairy Producers and its relationship with traditional hedging practice through CME futures and options. He strives to become a dairy economist for the U.S. dairy industry in the next year or two and has interned with Land O'Lakes.

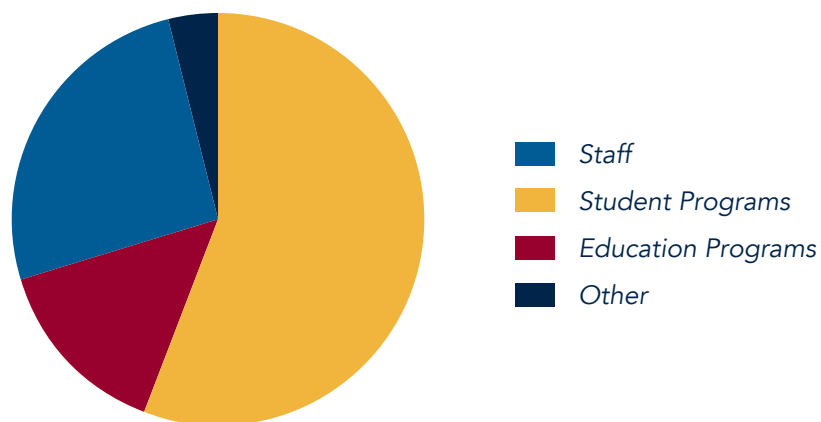


Erik Hanson, Jeta Rudi, Andrew Keller, Fanda Yang, Cael Warren, Joel Cuffey, Yanghao Wang



FINANCIAL REPORT

EXPENSES FOR FISCAL YEAR 2016



Revenues from sponsoring members for fiscal year 2015 totaled \$21,500 and expenses totaled \$23,618. The expense breakout can be seen in the figure.

Other expenses include industry magazine subscriptions, databases, and library support.

ACKNOWLEDGMENTS

The Food Industry Center would like to extend a special THANK YOU to our Sponsoring Member companies and organizations for their financial support during the year. We would also like to extend a special Thank You to our Board of Executives for their leadership and support of the Center this past year.

Sponsoring Member Companies

General Mills, Inc.
Land O'Lakes, Inc.
Midwest Dairy Association
Old Dutch Foods
SUPERVALU, Inc.

The Food Industry Center Staff

Dr. Michael Boland, Director

