



GOVERNOR'S RURAL CHALLENGE

A 10-YEAR STRATEGIC PLAN

Increasing Rural Tennessee's Capacity to Produce

A Report to Governor Bill Haslam | December 2013

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“My goal is for Tennessee to be number one in the Southeast in the growth and development of agriculture and forestry.”

– Gov. Bill Haslam, Dec. 3, 2012

The Honorable Bill Haslam, Governor
State of Tennessee
State Capitol Building
Nashville, TN 37243

Dear Governor Haslam:

The executive committee is proud to present to you this strategic plan for growing Tennessee's agriculture and forestry industry over the next decade.

We believe the recommendations contained in this report are in keeping with your challenge to develop "practical, affordable and actionable steps" to not only increase farm profitability and agribusiness investments but to generally bring more prosperity to our rural areas.

Agriculture and forestry contribute more than \$66 billion to our state's economy and account for more than 337,880 jobs. While the impact of these industry sectors are significant, we are convinced that through the adoption of this plan, we can help maximize our capacity to produce and generate even greater returns for farmers, agribusinesses and rural communities.

Of particular interest, is the need to develop a skilled and educated workforce to fill high-tech, advanced jobs required on the farm and in our laboratories and boardrooms. We fully support and endorse your plan to close the education gap between our urban and rural populations with the Drive to 55 initiative.

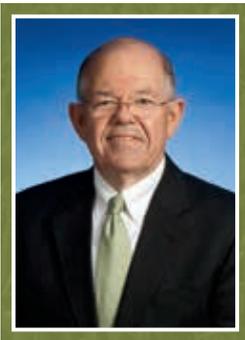
We want to thank you for your support, and more importantly, for casting the vision that Tennessee can be a leader in the development of agriculture and forestry.

On behalf of the members of the steering committee and many others who contributed to this report, please accept it with our sincerest respect and appreciation for your leadership.

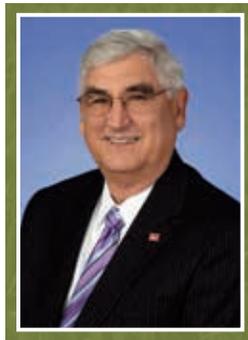
Respectfully,



Julius Johnson,
Commissioner,
Tennessee Department
of Agriculture



Lacy Upchurch,
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INTRODUCTION

In December 2012, Gov. Bill Haslam challenged the Tennessee Farm Bureau Federation (TFBF), the Tennessee Department of Agriculture (TDA) and the University of Tennessee Institute of Agriculture (UTIA) to help develop a strategy for ensuring the growth and prosperity of agriculture and forestry over the next decade. He set a goal of making Tennessee number one in the Southeast in the development of agriculture and forestry, and emphasized opportunities to increase farm income and agribusiness investment. The governor asked for “practical, affordable, actionable steps that we can take to propel the industry into the future.” The governor asked that a strategic plan be developed by 2014.

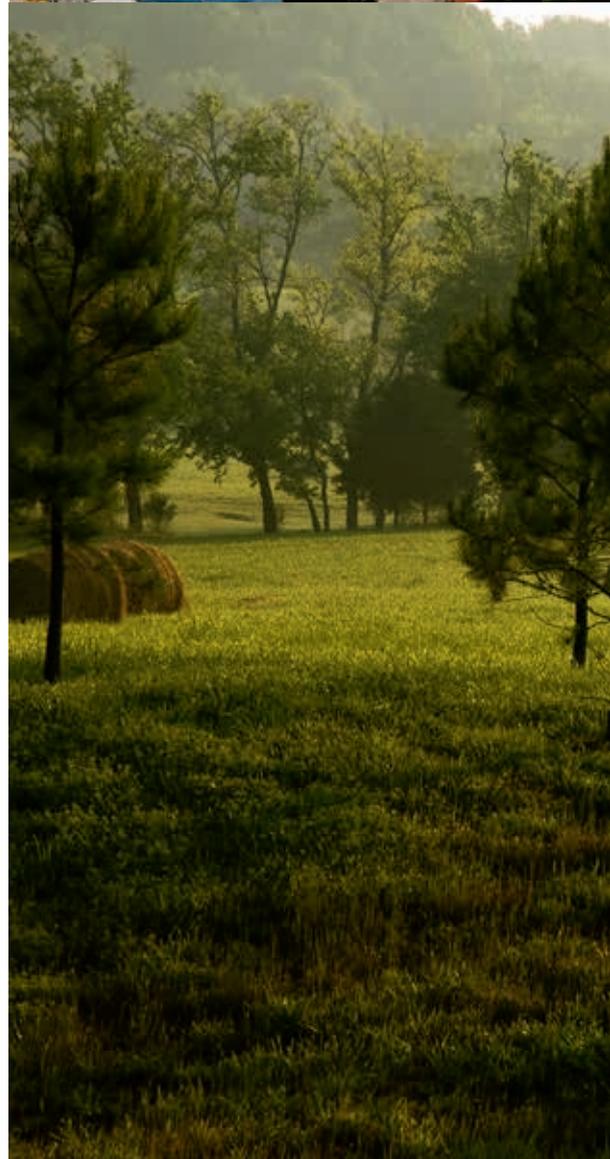
The Executive Committee identified broad expectations with an emphasis on incentivizing the private sector:

- Continue to focus on rural job creation and economic development
- Cultivate new agribusiness investments that lead to job creation and farm markets
- Increase farm profitability
- Develop public/private partnerships

Specific guiding principles were established to give more focus and direction for the strategic plan development process. Those guidelines included looking for ways to enhance private enterprise and innovation, motivate private equity, build business relationships, support entrepreneurship, take advantage of strengths and assets, address supply chain gaps, and emphasize cooperation and collaboration.

The following 27 action steps are proposed for implementation by the Executive Committee with a focus on building production capacity and incentivizing the private sector through four major recommendations:

1. Advance agriculture, natural resources and rural infrastructure as Tennessee business priorities.
2. Ensure a positive and predictable regulatory and policy environment for Tennessee agriculture and natural resources.
3. Expand marketing opportunities for Tennessee producers and encourage new production systems and agribusinesses.
4. Increase the scope and depth of a skilled and educated workforce through career, technical and higher education.





RECOMMENDATION ONE

Advance agriculture, natural resources and rural infrastructure as Tennessee business priorities.

Action 1.1: Develop a comprehensive inventory of rural assets and their economic value – a “rural balance sheet” – to complement existing reporting of income and employment. In addition to the traditional agriculture and forestry assets of land, water, forests and wildlife, the emerging opportunities of natural gas, biomass-based products, and ecosystem value should also be quantified. Physical capital (livestock, equipment and facilities) as well as human capital (educational attainment level) should also be evaluated. The initial balance sheet would establish a measurable baseline with annual updates in the *Economic Report to the Governor of the State of Tennessee*. The University of Tennessee Institute of Agriculture should lead this effort.

Action 1.2: Complement the state summary with comprehensive county profiles of existing and potential sustainable carrying capacity – economic, environmental and social benefits from optimal development of rural assets.

Action 1.3: Increase agricultural/rural involvement with the Tennessee Chamber of Commerce. Establish agricultural committees within local chambers.

Action 1.4: Encourage farmers and agricultural professionals to be active members in local and state business organizations.

Action 1.5: Establish a communications strategy to inform policymakers on opportunities, regulatory barriers and other challenges to increase Tennessee agriculture and forestry’s capacity to produce which makes rural economic development a heightened state and local government priority.

Action 1.6: Encourage more profitable forestry management on private woodlands through increased use of forest management plans, reforestation and financial incentives.

Action 1.7: Protect access to global markets by advocating for critical infrastructure including maintenance and upgrading of the river and rail systems.

Action 1.8: Create a study committee to document challenges and recommend rural broadband solutions to the Commissioner of Agriculture that enhance data management and enable technological efficiencies.

“Develop a comprehensive inventory of rural assets and their economic value – a rural balance sheet – to complement existing reporting of income and employment.... The initial balance sheet should establish a measurable baseline with the annual updates in the *Economic Report to the Governor of the State of Tennessee*.”



In 2011, 80 percent of U.S. agricultural exports and 78 percent of imports were transported by water.

RECOMMENDATION TWO

Ensure a positive and predictable regulatory and policy environment for Tennessee agriculture and natural resources.

Action 2.1: The Tennessee Department of Agriculture should incorporate energy into its other natural resource responsibilities (agriculture and forestry) in order to bring cabinet-level advocacy on this critical sector of the rural economy. Federal regulatory pressure on coal, emergence of natural gas, Tennessee's competitive advantage on biomass-based fuels and its electric membership cooperatives merit focus and attention.

Action 2.2: The state should continue to facilitate and enhance regulatory partnerships among agencies, industry, research and extension toward an environment that facilitates agribusiness and enhances the competitiveness of rural Tennessee. Regulations must be science-based.

Action 2.3: Streamline environmental permitting and potential siting of production/CAFO/processing facilities to target rural expansion/recruitment consistent with existing "megasite" industrial development except at a smart and appropriate scale to match rural assets such as the public/private development of Cates Landing in Lake County.

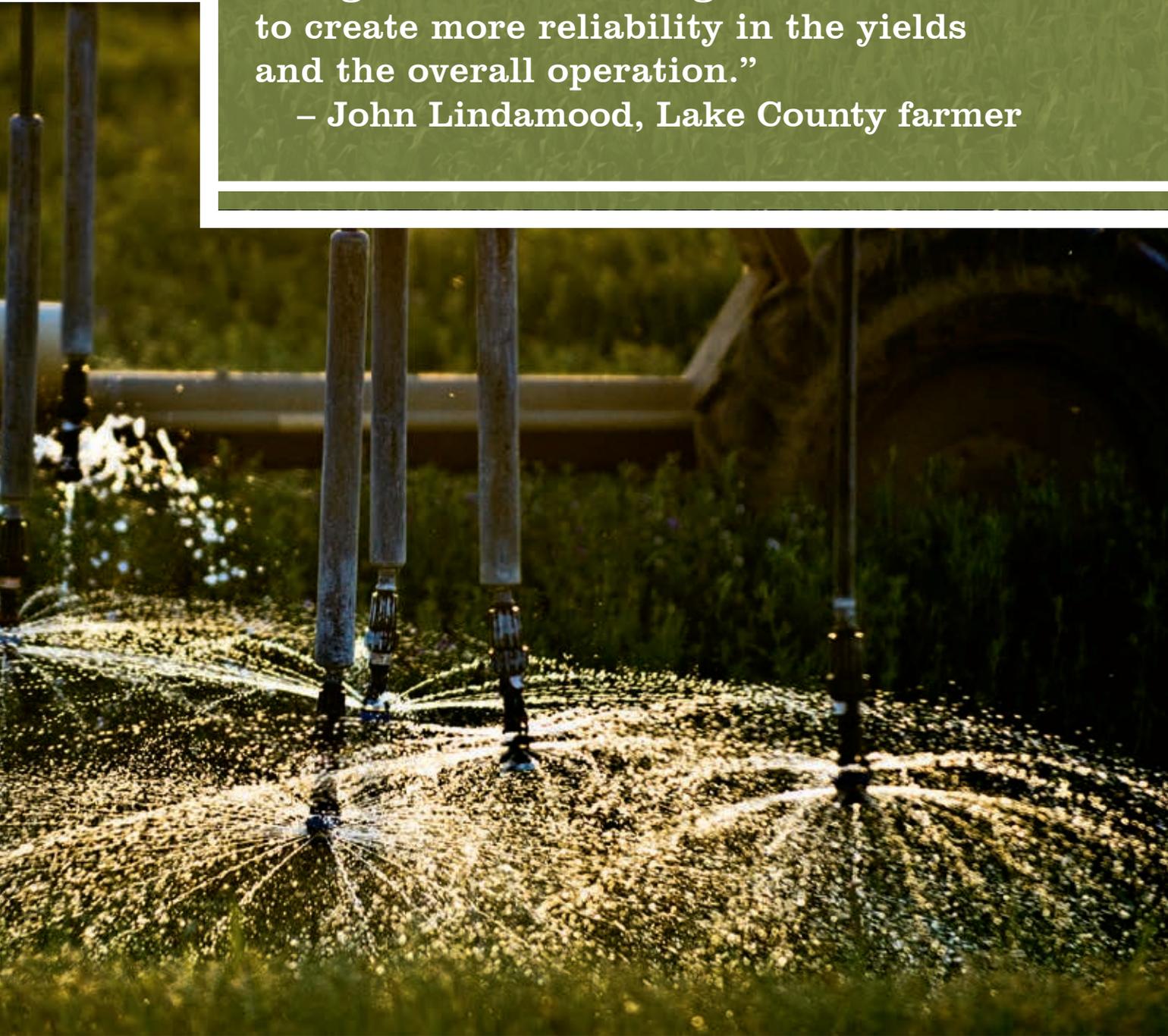
Action 2.4: Create a study committee to document and communicate existing law and best available hydrologic information, and make actionable recommendations to the Commissioner of Agriculture that ensures agriculture's priority use of water resources in Tennessee.

Action 2.5: The state should fund livestock welfare oversight through the Department of Agriculture with law enforcement authority to respond and investigate allegations of livestock cruelty.

Action 2.6: Review marketing policies to identify barriers to "farm to table" production and processing, and encourage increased production of grapes and other locally sourced crops and enterprises.

Action 2.7: Encourage tax exemption standardization for timber harvesters.





“Irrigation is something *we can* do
to create more reliability in the yields
and the overall operation.”

– John Lindamood, Lake County farmer

RECOMMENDATION THREE

Expand marketing opportunities for Tennessee producers and encourage new production systems and agribusinesses.

Action 3.1: Refocus the Tennessee Agricultural Enhancement Program (TAEP) and investigate a range of options to increase and ensure long-term funding including tax credits, foundations and other public/private sector investments to incentivize and increase rural balance sheet value (net worth) including:

- Incentivize the repopulation of the beef herd.
- Revitalize dairy production.
- Improve risk management with smart irrigation and technologies.
- More regional grain storage and value-added processing.
- Infrastructure, facilities and collaboration toward exports and global business.
- Continue to support the state's momentum in biobased fuels and products.

Action 3.2: Enhance market development activities within the Department of Agriculture and its partners that directly improve farm net income and cash receipts:

- Increase agribusiness recruiting to increase demand for Tennessee-grown commodities.
- Capture local markets – incentivize and encourage small business development.
- Enhance “Pick Tennessee Products” (branding) program and expand it to include forestry and nontraditional rural enterprises.
- Research areas to expand Tennessee's viticulture and enology sector.
- Prioritize adoption of green certification of the state's wood products.
- Improve forest health, commodity quality to capture better prices and markets.
- Maximize opportunities for agritourism and ecotourism development.

Action 3.3: Stimulate rural enterprise innovation across the state. Continue and enhance public/private support of Memphis BioWorks Foundation and the UT Center for Profitable Agriculture (CPA). This collaborative effort leverages:

- The commercial leadership, business development capabilities and proven record within BioWorks.
- CPA's well-documented expertise and leadership related to farm-based, value-added enterprise evaluations and development.
- Investments made by the Tennessee Department of Economic and Community Development (ECD) through their network of nine Regional Accelerators.
- Other statewide resources already in place such as UT AgResearch and other research programs.

The agricultural innovation strategy should address (1) early stage capital, (2) agricultural technology incubator network, and (3) entrepreneur development and business acceleration. The proposed initiative will enhance educational outreach and impacts, create rural jobs, new investment opportunities and leverage significant private sector investment.

Action 3.4: Promote expansion of commodity value-added processing and differentiation through established member-owned cooperatives including the Tennessee Farmers Cooperative, Farm Credit and electric membership cooperatives. Seek suggestions and recommendations from the Tennessee Council of Cooperatives on incentives and actions that improve their effectiveness and economic opportunities.

Action 3.5: Enhance incentive programs that encourage agribusinesses such as processing facilities, bioenergy and biotechnology to locate in rural Tennessee on par with similar initiatives within ECD and Tennessee economic development districts.

Grape Production



Grape-bearing acreage has grown in Tennessee but it has not kept pace with increased market demand. Tennessee's 30 commercial vineyards are foundational to expanding the state's viticulture industry, which has an \$881 million economic impact.

Tennessee is well-positioned to greatly increase grape production, as neighboring states have done in recent years.



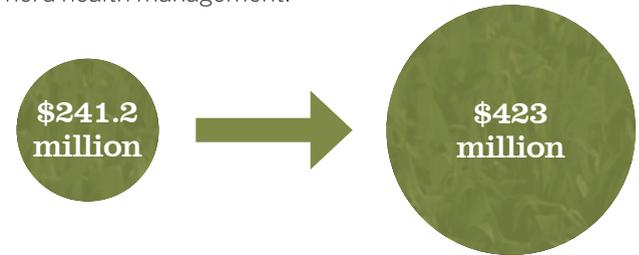
Source: Stonebridge, *Economic Impact of Grapes and Wine in Tennessee, 2011*



Dairy Farms

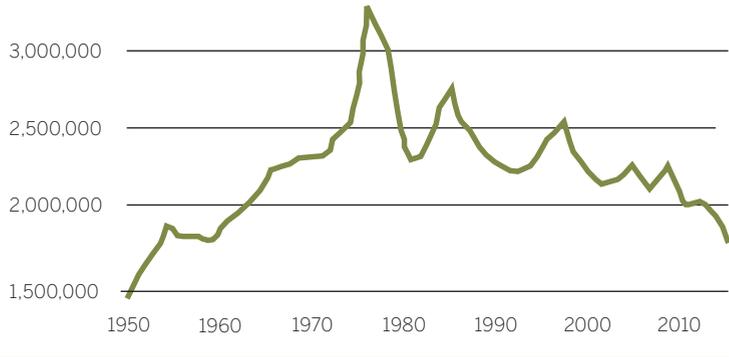
The number of dairies in Tennessee continues to decline, but dairies offer a significant economic benefit to local economies.

The total economic impact of Tennessee's dairy industry has the potential to increase from a baseline of \$241.2 million to nearly \$423 million with improved herd health management.



Historic Beef Herd Numbers

The state's current beef cattle inventory is at its lowest point since the 1950s, consistent with national trends. However, Tennessee is still a top 10 beef-producing state with an opportunity to take advantage of an expected expansion of the U.S. beef herd.



RECOMMENDATION FOUR

Increase the scope and depth of a skilled and educated workforce through career, technical and higher education.

Action 4.1: Actively promote and endorse Governor Haslam’s “Drive to 55” initiative to enhance rural Tennessee’s economic outlook, and to ensure that agriculture and forestry have a technically trained workforce for tomorrow’s farms and forests.

Action 4.2: Increase funding to support research and extension programs that provide science-based, objective research and education. Emphasize on-farm applied research and demonstrations. Find a permanent solution for nonformula funding issues within the UT system.

Action 4.3: Expand the number of youth participating in 4-H and FFA educational programs and improve event scheduling and coordination. Fund a West Tennessee 4-H Conference Center to increase participation and educational opportunity in that part of the state.

Action 4.4: Increase support for CTE by re-establishing three full-time regional supervisory positions for secondary agricultural education programs in Tennessee. Conduct a labor needs assessment in collaboration with industry and revise the curriculum as needed to meet labor demands in Tennessee.

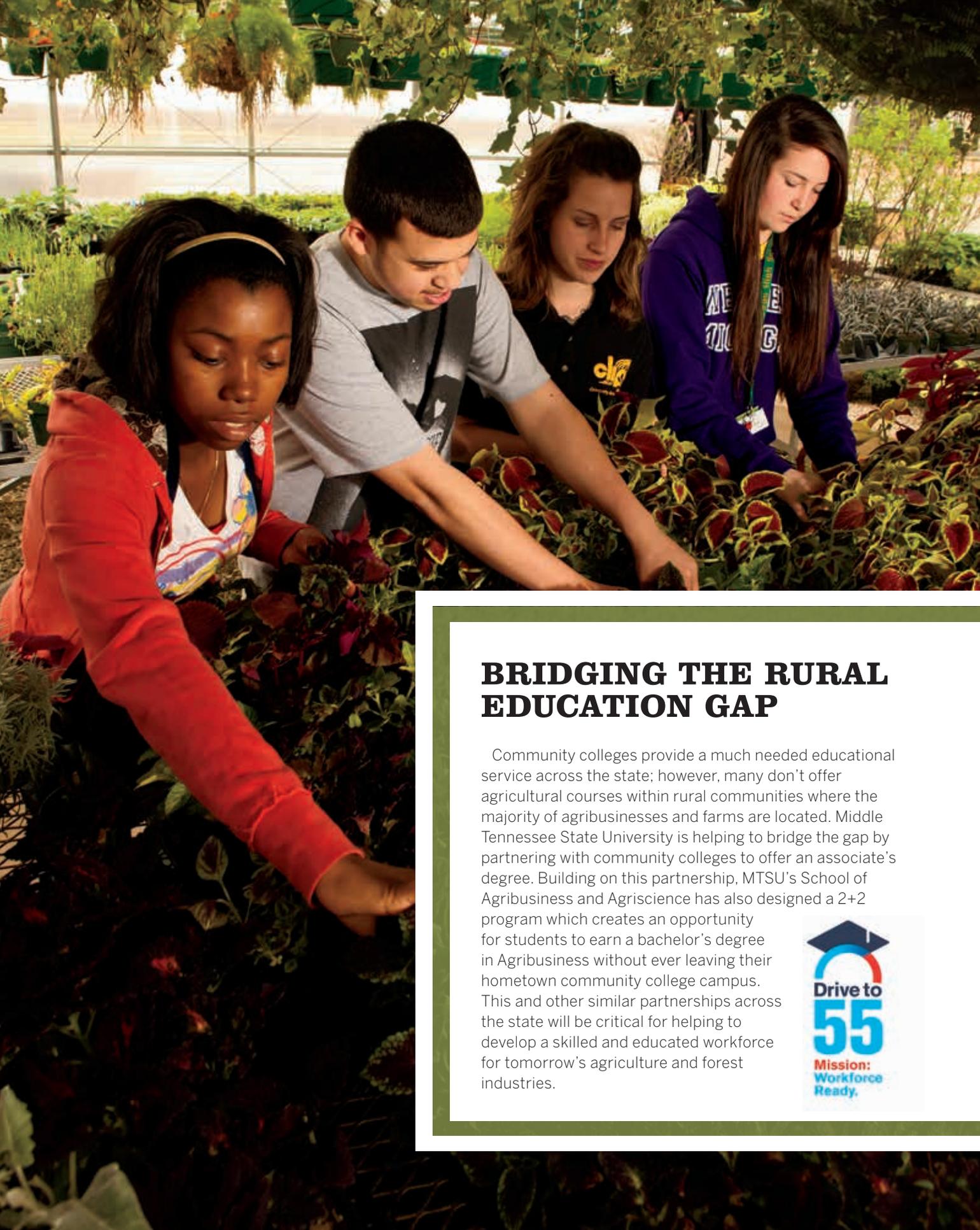
Action 4.5: Increase agricultural awareness for youth beginning in elementary schools and link to careers in STEM areas.

Action 4.6: Review and revise the agricultural and natural resources curriculum in higher education to align with contemporary needs of employers.

Action 4.7: Support educational programs through extension that encourage efficient resource utilization and best management practices in production systems to increase profitability.

“We face a challenge in educating the workforce we will need, and agriculture is certainly among the many industries that will need a skilled workforce. Our Drive to 55 initiative is addressing that need and can help close the gap between rural and urban communities.”

– Gov. Bill Haslam, Tennessee Agriculture Leadership Forum, Oct. 15, 2013



BRIDGING THE RURAL EDUCATION GAP

Community colleges provide a much needed educational service across the state; however, many don't offer agricultural courses within rural communities where the majority of agribusinesses and farms are located. Middle Tennessee State University is helping to bridge the gap by partnering with community colleges to offer an associate's degree. Building on this partnership, MTSU's School of Agribusiness and Agriscience has also designed a 2+2 program which creates an opportunity for students to earn a bachelor's degree in Agribusiness without ever leaving their hometown community college campus. This and other similar partnerships across the state will be critical for helping to develop a skilled and educated workforce for tomorrow's agriculture and forest industries.



THE PLANNING PROCESS

The planning process acknowledged the critical role of the private sector for rural job creation and was designed to maintain a narrow focus on actions that would “incentivize the private sector” toward increased rural economic activity.

A steering committee, comprised of 28 individuals representing diverse interests in farm production, agribusiness, finance, education and government was formed to provide valuable input and guidance in the development of the strategic plan.

In addition to guidance from the steering committee, comprehensive and broad-based input was gathered from UTIA regional advisory councils, TDA employees, commodity groups and associations, an online survey and numerous one-on-one interviews and conversations among industry leaders.

The strategic planning process started with a “blank slate” when the steering committee first met in Columbia, Tenn., on March 15, 2013, to address these two questions from Commissioner Julius Johnson:

What can be done to make you more profitable/productive/efficient over the next decade?

What is the single most important thing that would have the greatest impact in your operation?

One-hundred and eighteen (118) specific responses to the commissioner’s two challenge questions were captured as opportunities from the steering

committee. These initial responses were grouped and categorized in order to explore themes and to find common ground on which to focus the strategic planning efforts.

Three regional UTIA advisory councils were facilitated to capture additional input for the steering committee’s review and consideration. The participants in these sessions were not briefed on the steering committee’s initial observations. This provided the Executive Committee and the planning process with an independent and “fresh” set of ideas. In addition, these councils provided insight into regional differences, consensus on industry strengths and weaknesses as well as implementation opportunities and challenges.

The Executive Committee and Steering Committee also had the benefit of a comprehensive industry trends analysis prepared by the UT Agri-Industry Modeling and Analysis Group (AIM-AG) and general public input on important issues from an online survey.

The steering committee met two more times during the year to consider additional information and refine recommendations. A draft set of recommendations was presented on Oct. 15 to key industry leaders gathered for the Tennessee Agriculture Leadership Forum in Murfreesboro, Tenn., with the goal of having the plan finalized in time to be presented to the Governor in December.



ACKNOWLEDGEMENTS

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Steering Committee

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Jeff Aiken, Telford
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CoBank
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Tennessee Farm Bureau Federation
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