



## Oral History of Illinois Agriculture

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**Abstract:** Philip Nelson was born on June 12th, 1957 in Lake Charles, Louisiana, and grew up as the fourth generation on the family dairy and grain farm near Seneca, Illinois. Philip became very active in the 4-H and FFA as a youngster, never considering any other profession than farming. After high school, he attended Joliet Junior College, then returned to the farm. Over the next two decades Nelson managed a thriving farm operation while also becoming increasingly involved in farm organizations, often in leadership roles. Over time, the family got out of the dairy business, but continued to finish hogs while also growing corn and soybeans on what grew into a 1,500 acre farm. He discussed the farm crisis of the 1980s and the 1998 collapse of hog prices.

In 2003, after many years of involvement in the Illinois Farm Bureau (IFB), as well as various commodity organizations, Nelson was elected as president of the IFB by the membership, and has since been reelected. As such, he is passionate spokesman for the organization, as well as taking on various roles with the many businesses and corporations affiliated with IFB. These include Prairie Farms Foods, Country Financial, GrowMark and others. The IL Farm Bureau has long promoted the expansion of markets for its members' products while seeking to limit the government's direct involvement in agriculture, preferring the government to act more as a marketing partner than as a regulator of agriculture. In his capacity as president of the IFB, Nelson addressed the IFB's views on many of agriculture's most pressing and controversial issues, including the food vs. fuel debate (ethanol production), genetically modified foods, globalization and marketing challenges, and several others.

**Keywords:** grain and hog farmer in northern Illinois; Future Farmers of America; 4-H; Illinois Farm Bureau; Growmark; Country Financial; Prairie Farms Dairy; ethanol production; Genetically Modified Organisms; Mad Cow disease and ability to track livestock; globalization; *Partners* Magazine; RFD Radio; Harold Steele; Orion Samuelson;

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## Interview with Philip Nelson

# ALPLM\_08\_NelsonPhi

Interview # 1: January 16, 2009

Interviewer: Mark DePue

DePue: —is January 16, 2009. My name is Mark DePue. I'm a volunteer for the Abraham Lincoln Presidential Library, and we've been doing a series of interviews with people who have stories to tell about Illinois agriculture. And we're here today with Phil Nelson. Do you prefer Phil or Philip?

Nelson: Philip.

DePue: Philip. Okay, sorry about that. Philip, I'm going to throw a curveball at you to start with. How would you define yourself?

Nelson: Well, looking at my life, I in general have always been planted in agriculture. We have, in our family, six of us that are all still implanted into some form of agriculture. I'm a fourth-generation farmer, as well as my wife is a fourth-generation farmer.

DePue: Okay, now, what wasn't said there—and this is revealing to me, and the reason I asked the question—you're also currently the president of the Illinois Farm Bureau, is that correct?

Nelson: That is correct. I've served that position—just completed my fifth year, and also served four years as vice president of this organization before ascending into that position, and seven years as a county farm bureau president. So I've spent a number of years in the organization before I got to where I am today.

DePue: Okay, but before you got here, you're a farmer, and after you leave here, you're a farmer, is that right?

Nelson: That is correct. It's pretty much in my blood, and never have really strayed very far from that. And I think what's appealing is this organization works with farmers across this state, and I think everybody sees the love that we have for the industry as well as the organization.

DePue: Okay. What we're going to do here, we're going to spend the first couple hours talking about your life as a farmer, and then later on, we'll get into much more detail about the Illinois Farm Bureau, a little bit of background, how it's organized, how it operates, and all the myriad of things then that you as the president get involved with because of that affiliation. But let's start at the beginning, and tell us when and where you were born.

Nelson: Well, I was born actually in Lake Charles, Louisiana. (laughter) My dad was an Air Force staff sergeant, so I really started out as a Cajun in Louisiana. First couple years of my life, that's where I was basically raised.

DePue: And you were born what date?

Nelson: June 12, 1957. And from there, after Dad got out of the Air Force, he went back to farming with his dad, Leonard Nelson—and my dad was Stanley Nelson—

DePue: Did he retire from the Air Force?

- Nelson: He spent four years in the Air Force and then went back home to farm with his father, so kind of a father-son relationship much like what I had when I farmed with my dad. They basically grew up on the dairy farm, in the northern part of LaSalle County. And at that time, very diversified. Not only did we have dairy cattle, we had chickens, we grew corn and soybeans, oats, hay as the major cash crops. But at an early age, I got involved in farming. I think I was four years old when we all fought over riding the lawnmower, mowing the grass, but at age six, I learned how to drive a tractor for the first time, pulling a hay fork back and forth, pulling hay up into a barn.
- DePue: There's a couple pictures that are behind you here. The main picture, is that your farm today?
- Nelson: Yes, it is, and if you look back at these other pictures, this was the same farm many years ago when my grandfather had it.
- DePue: Do you know how the family got to that piece of land in the first place, three, four generations back?
- Nelson: Well, four generations ago, our ancestors came from Norway, around Oslo, Norway. We happened to live in the oldest Norwegian settlement in the United States of America. We live about six miles from Norway. We also attend the oldest Norwegian Lutheran church in all of the United States of America—about 169 years and counting.
- DePue: Do you know roughly when the family got there? What year?
- Nelson: I do not know that. I would have to look that up.
- DePue: Mid-1800s, perhaps?
- Nelson: Yes. Well, our house that I live in is at the turn of the century. Early 1900s or late 1800s is when that house was built.
- DePue: And the family had already been there for quite a while?
- Nelson: Yes, yes. But we've remodeled the house, as you can see at the various picture levels—remodeled it, added on, but really, the main part of the house is pretty much the same as it was when it was built.
- DePue: So there's a lot of stories that are connected with that house.
- Nelson: Actually, probably the most interesting one—that my wife doesn't like people to know—(laughter) it was one of the largest farmhouses in the particular area, and a lot of funerals were held in this house, because it had a bay window where the casket would be put for the various neighbors to come and pay their last respects to people, and the porch had an unusually wide door, so they could move the caskets in and out. So (laughs) that little bit of nostalgia that goes with our house, but back in that day, it was one of the largest farmsteads in the particular area.
- DePue: Did you have some brothers or sisters growing up?
- Nelson: Yes, I have two brothers. As I said before, all of us are still kind of rooted in agriculture. My older brother works for Farm Credit Services in Bloomington.
- DePue: His name?
- Nelson: His name is Narlan(??), and he's been there about twenty-eight years. I have a younger brother Darald, who works in the agriculture lending business for Yorkville National Bank. I have three sisters, the oldest of which works for the DeKalb County Farm Bureau. She's married to

a farmer, and they farm outside of Waterman, in DeKalb County. My middle sister is married to a farmer in the Springfield area, and they have three boys, and they farm there. And my youngest sister lives in Janesville, Wisconsin, and her husband sells fertilizer for an ag industry. So none of us have really left the farm. And on my wife's side, they're pretty much all involved in agriculture as well, and her dad still farms.

DePue: You talked a little bit about the farm, but what was the size of the farm you grew up on?

Nelson: Well, my younger years, we were farming about 480 acres; today, we're about 1,800 acres. So the size of the farm has grown. It really has changed. We have a cattle feedlot operation instead of the dairy that we once had—it's on the same place. We've grown the hog operation, where we used to be farrow-to-finish, which means everything from birth to market, now we basically buy weanling pigs at about fifteen days of age and finish those hogs. My son and daughter are in 4-H, and they have started a small beef operation for their project. And then we also raise corn, soybeans, and wheat.

DePue: Tell me a little bit about the chores that you had when you were growing up.

Nelson: Well, it's very different from today. When we were kids growing up on a dairy farm—and back in those days, basically, there wasn't much additional labor that was hired—and with six kids in the family, my sisters were the milkmaids in the dairy operation. They literally would milk the cows. I spent much of my time doing the grinding, the hauling of the manure, as well as helping out at the milking and feeding the calves. But we were grown up and taught at an early age that you had to pull your fair share of the load, so we basically did much of the calf chore and some of the milking before we'd even be able to go to school in the morning. So we were very involved.

DePue: Tell me your routine, then. When did you get up in the morning, and what did you do before you got on that school bus or got to school?

Nelson: Well, we'd get up about five o'clock every morning and go out, get things going, and if chores weren't quite finished, Dad and Mom would finish them, then go back in the house, take a shower, and be on the school bus by 7:30, quarter to 8:00.

DePue: Where'd you go to school?

Nelson: Grade school, we went to Milton Pope Grade School, which is a rural school district—a feeder school district—that fed four high schools. Very small in nature by today's standards, but a couple hundred kids, and then from there, we went to Newark High School as a family.

DePue: Now you mentioned your church before. Tell us a little bit more about that church, because I think that's important to the family story.

Nelson: Well, it's got an interesting past, from the standpoint, it's a rural church that had the roots from the ancestors coming from Norway that started this small little congregation. But what's really appealing—I've served on the church council for about a dozen years, and now my wife has been there for about the same, and we've always had just strong rural roots in that particular church. Twelve years ago, we hired a pastor—I happened to be on the call committee—and we've been very fortunate and blessed by his preaching, because we were going from an average Sunday of seventy-five to ninety people to—before we built the new church two years ago, we were having Sunday attendance close to 200. And now we built a new church that would seat 350 to 400 people, and we are full to capacity at this point in time, two years later. I didn't project that we were going to grow to that magnitude that quickly. So we've been very

blessed. But I think the difference was back at the old church, all of us were farmers for the most part, but given the people that are moving out from the cities to the farmettes or the small little communities that we draw from in our church, basically those are the people who are attending our church. We still have the rural roots that we started from, but that hasn't changed, and I think a lot of it has to do with the pastor, that is very appealing to a number of people in the area.

DePue: Was there a time when the church services were in Norwegian?

Nelson: Yes, they were. As a matter of fact, as kids, the four oldest in our family on two different Christmas services, we sang a song in Norwegian that was part of the Christmas program, so yes. Our heritage is strongly rooted in the Norwegian ancestry.

DePue: Well, that would mean even mid- to late sixties, early seventies, they're still singing songs in Norwegian there.

Nelson: That is true, and our Christmas dinners still include a number of Norwegian favorites, as it relates to food. You still see the lutefisk and lefse (laughter) that a lot of the members of the church are very fond of.

DePue: Do you like lutefisk?

Nelson: I can't say that I'm a strong believer in lutefisk, but the lefse part of it, yes, we very much do.

DePue: For those who don't know about lutefisk, maybe a very quick definition or description of what it is.

Nelson: Well, it depends on what your appetite is for fish, because it's basically got a fish base to it, and you've got to acquire the taste.

DePue: But it's cured in lye?

Nelson: Yes, and that's why I said you have to acquire the taste. It never really resonated with me, let's put it that way. (laughs)

DePue: What's the affiliation of the church now?

Nelson: We are a member of the American Free Lutheran Churches. We made kind of a switch when the ELC and the ALC combined back a few years ago. And there's a number of churches in our particular area that are a part of the American Free Lutheran Churches.

DePue: What else kept you busy when you were growing up?

Nelson: Well, our family was very involved in 4-H and FFA. As a matter of fact, I think every one of us had that in our blood, whether it was the competition, whether it was what 4-H and FFA had to offer, but I think we're a unique family, because out of the six of us five of us were state FFA officers. We have more blue-and-gold jackets in our closet than you can imagine. And I think probably as part of that was the public speaking that we learned through the organization, the traveling, getting to meet other people across this state and across this country, made that organization fairly unique. And as a result of that, my mom and dad were honored back in 1991 at the National FFA Convention with the honorary American Farmer Degree at the time for the fact they were the first husband and wife that had five state FFA officers.

DePue: Wow. Tell us a little bit about what's different between 4-H and FFA.

- Nelson: Well, they're two very good organizations that really, I think, kind of help today's youth to try to not only motivate them but to kind of point them in a direction they may want to look at in their career path. But 4-H, I think, is more broad based than the FFA organization at a younger age. But when you get to high school, I think there's a clear distinction. FFA concentrates more on your career development path than 4-H does. But I think the two complement each other, and I hope that our son and daughter get as much out of the organization as what we did as kids going through it.
- DePue: Were state fairs, county fairs, those kinds of things, important? Was that part of it?
- Nelson: That was our vacation time in the Nelson household. Being on a dairy farm, as you know, there are no days off. I mean, it's 365 days a year, two times a day, to get the cows in, milk the cows. So we really never got away from it. But our vacation time that we really enjoyed as kids was lugging around 1,500-pound black-and-white Holstein cattle to the county fair, the state fair, Sandwich Fair—those were the main fairs that we exhibited at during the course of the year.
- DePue: What was the last fair?
- Nelson: Sandwich, at DeKalb County. Probably the largest county fair in the state of Illinois. And what makes it unique is it has that old-time look to it as a county fair.
- DePue: What were some of the other advantages going to the fairs? Getting to meet some of the other kids, perhaps?
- Nelson: Yeah, you know, one of the things that I remember, back in the eighties, when I was finishing up my FFA career, we were showing at the Illinois State Fair with then—Ag Secretary Jack Block and President Ronald Reagan at the Illinois State Fair. And we were showing a particular class of Holstein heifers, and the president of the United States walked into the ring, (laughter) and went down the row with about a dozen of us that were exhibiting our animals, and came up to us, talked to us. Very personable gentleman. And later, I got to know the secretary of ag. Jack Block and myself are pretty good friends, and we converse back and forth. But it goes back to a state fair in the eighties when we first met.
- DePue: You wouldn't happen to have a picture of you and the president, would you?
- Nelson: I don't know if I have one, actually. (laughs) We didn't know it was going to happen the way that it was. We were all getting ready for the next class of Holstein heifers. But it was quite an impression that all of us in our family had when the president of the United States came up and talked to us.
- DePue: I can't imagine anything else in that kind of reaction to that. I think I know the answer to this, but when you got into high school, what were your career aspirations?
- Nelson: Well, I always had one thing on my mind, even going back to when I first ran that John Deere tractor, pulling the hay up into the mow, and that's what I wanted to do, was be a farmer. I've lived and breathed it. There's something about farming, from the standpoint you're independent, you can make your own decisions, but it's a great place to raise a family, where you work together every day. Sometimes you yell at each other every day. But I think everybody's their own boss. And I always had that in mind, and when I got to high school, I think it just reinforced that, because being involved in the FFA, I had a great ag teacher, Richard Dunn(??), who really pushed me on a number of fronts, from public speaking—and I remember the first time that there was an opening for an extemporaneous public speaking contest, and he said, "You know, Philip, you need to go to that." And I found out then that I

needed to work at my speaking skills, because I placed eighth out of nine contestants that particular night. But I had a great mentor and an ag teacher that believed in me, pushed me. Four years later, I was the Star Farmer of Illinois, over everybody. He pushed me into a state FFA office. I obtained my American Farmer Degree, following in my dad's footsteps, who really grew up in FFA as well.

And kind of an interesting story there: when my dad got his American Farmer Degree, which at that time was the highest degree the national organization could offer, Dad and his ag teacher went to Kansas City, Missouri to get that award, and the ag teacher decided to take a sidebar trip the morning that he was to receive that award and went to Harry Truman's house. And they were parked outside—the ag teacher was taking a picture of my dad standing outside of Harry Truman's house, and within a couple minutes, the president walked out and invited my dad and the ag teacher in for breakfast. (laughter) And what's interesting is you fast-forward that to 1991 when Dad and Mom went back to get their honorary degree. They went to the same house where Dad went as an FFA officer, and the security guard and my dad talked, and he could not believe that the president would come out and invite him in for breakfast. But you got to keep in mind, the security detail back in those days was far different than it is today. But Dad never forgot that as long as he lived.

DePue: And the Truman home is rather unimpressive-looking place. That always amazes me.

Nelson: It's a very ordinary house. You would not even think that a president of the United States would have lived there.

DePue: The American Farmer Degree—can you tell us a little bit more about that?

Nelson: Well, less than 1 percent of all of the FFA members that are part of the organization obtain that degree. There's certain thresholds that you have to obtain as it relates to projects that you carry on during the course of your FFA career. It's judged at the state level, and so many State Farmers—which you have to be to be an American Farmer, and now it's an American FFA Degree—and then that combination is recognized and awarded at the National Convention. I think what's interesting is five of the six of us in our family all got the American FFA Degree, the only exception being my oldest sister—and this dates me—but girls were not allowed in FFA until she was a senior in high school, and that was really the main reason that she never really got involved in FFA. But my oldest sister, Noreen, was the first female officer in the FFA in Illinois, and my youngest sister followed in her footsteps as state reporter as well.

DePue: You mentioned the importance of this one teacher, Richard Dunn(??), as being a mentor for you. Can you name anybody else who was an especially important influence on your life at that time?

Nelson: Well, back at that time, actually, my dad always pushed every one of us to try to do better, and my mom was right there, and they were a great tag team. And they always tried to get us involved in things, whether it was at the 4-H level when we first started, the FFA level, get involved in our church. I think they all instilled in us some strong moral foundation principles that all of us have lived our lives by, and I think it speaks well of our family, based on what they did at a very early age, instilling that in us.

DePue: What was your dad's advice as you got into your senior year in high school?

Nelson: Well, Dad was never afraid to push us to try things different, but he'd also let us make mistakes. And I still remember the first time he turned me loose plowing a particular cornstalk field. He rode with me one round, and he said, "I think you got the hang of it. Go ahead." And



the next round, I turned the plow, and I did not realize the plow wheel hooked into the fence, and I looked back, and it was pulling the fence across the field (laughter) as we were going across. And Dad was watching the whole thing, and he said, "I hope you've learned a valuable lesson. Now go back and fix the fence." And he would do that in all of us, whether it was milking cows, showing cattle, putting up hay or corn silage. All of us really were taught a number of the farm chores at a very early age, and I think all of us just accepted the fact that we all had hard work ethics, growing up on a dairy farm and being part of a farming operation.

DePue: Was there any discussion about whether or not you needed to go on to get a college degree?

Nelson: Actually, of all six of us, I'm the only one that did not finish the four-year degree. My brothers and sisters all graduated from the University of Illinois in ag, and I was kind of the lone person that didn't. And part of that was due to the fact, when I graduated from Joliet junior college, I was accepted at the University of Illinois and a couple other colleges for judging purposes—livestock judging. My dad became very ill, and had kidney failure, and he really couldn't carry on the duties of running our farm. Our farm had expanded at that time. So I had a very difficult decision to make, in basically keeping the farming operation going with my mom or finishing my four years. And I decided to take a pass at that time, saying that I could go back and finish it. Little did I know that I'd get involved to the magnitude that I did in the Soybean Association and then the Farm Bureau, that the career path would take me in a place where I did not get back to finish that four-year degree. But I think in this job that I'm in today, it's a learning experience every day. And I've told that to our son and our daughter, that just because I didn't finish doesn't mean that they won't need that type of degree in the future to be a part of a farming operation or whatever they want to do.

DePue: You've got six of you altogether, if I've got my math right. Why was it you who ended up working the family farm?

Nelson: It was kind of interesting how it shook out, because I was probably the one person in our family who probably loved the livestock as well as the grain. And I had brothers or sisters that they just wanted to be a grain farmer, and we were always strongly rooted in the livestock area. And as my sisters got older and went away to college and fell in love with farmers or whatever, (laughs) they still are very much involved in farming. But my older brother, who is still very involved with us today—matter of fact, I own a farm in partnership with him—he still comes back in the spring and the fall for two or three weeks of his vacation time away from his job to run tractors and equipment, but he doesn't really care for the livestock part of it. So that's probably what pulled me back more than anything, is I loved both, and at the time, I was expanding our operation with hogs and with beef cattle, which kind of complemented what we were doing on the dairy side.

DePue: Tell us a little bit about that transition from your father in the lead in running the daily operation and making the important decisions and the transition to where you are in the lead, and how the farm evolved during that time as well.

Nelson: Well, I was very fortunate, because I've seen a lot of father-son operations across this state where the father still is in charge when he might be eighty years old and the son's sixty. My dad let loose of the reins when his health failed and literally said, "Philip, you're in charge."

DePue: What year would that have been?

Nelson: It would have been in the seventies. I was right out junior college. I had a small operation of my own. I had a couple farms that I was farming. We combined what I was doing with what he

was doing, and really, it was my mother and myself that managed the operation, because his health was failing. He was on dialysis, went through kidney failure. He eventually did get a kidney transplant after my mom had passed away, but he was not really in a situation that he could go back into farming. So he pretty much relied on me as the son that came back to farm to run the farm and make those decisions. So it was a good relationship, but part of it was tempered by the fact that his health was failing.

DePue: Were you making some decisions to change the direction that the farm was going?

Nelson: Well, when Dad's health failed and my last sister went off to college, we did have to make the decision, my mom and myself, to eliminate the dairy operation, because we didn't have the labor that was necessary. That was a big change. And then we went to feeding beef cattle in the same particular setup that we were used to with the dairy operation. In the meantime, I was expanding the hog operation. We picked up some additional acreage to farm. So we were growing the operation all at the same time that we were making that transition.

DePue: How about purchasing additional land?

Nelson: Well, I was fortunate not to buy land right when I got out of college in the late seventies, early eighties, because at that time, land was on an inflationary spiral upward, and unfortunately, just like what we've went through this year with the volatility in the commodity prices, the land prices peaked, and a guy by the name of Paul Volcker, (laughter) who was the head of the Federal Reserve, thought we had too much inflation, and deflation started, and farmers that bought land at the high of the market really went through quite the turmoil in the eighties just to hang onto what they had. So in answer to your question, I really purchased my first piece of farmland almost at the low of the marketplace, when things were looking pretty bleak in the early eighties.

DePue: Was that because you were very prescient and could figure out that that's the best time to buy, or did you get lucky?

Nelson: Well, my grandfather always told me, "You'll never cash flow farmland, even at the low or the high of the market. You've got to have enough diversity in your portfolio." And I've always been diversified in our farming operation, and by that, I mean we didn't count on corn and soybeans in its entirety or totality, or we didn't count on the dairy or the beef cattle or the hogs. So you have good and bad years with all of those particular commodities, and I think that's what pulls you through the lean years.

DePue: But by making that decision, taking that approach, you're kind of going against the grain of the direction that other farmers were taking, weren't you?

Nelson: At that particular time, yes. And that particular piece of property, I still own today, and it's the cheapest ground that I bought. But it was still a big decision when everybody was painting such a bleak picture about what was going on in production agriculture. At that time, farmers were being forced out because they couldn't make their payments. Yeah, it's a pretty big step to take. But there's always risks that are involved in farming, whether it's that, or we look just at the volatility in the marketplace.

DePue: You were a bachelor during these early years as a farmer, is that correct?

Nelson: That is true.

DePue: Well, tell us when you met your wife.

- Nelson: I was thirty-five years old. I was president of the local school board. I was fixed up on a blind date by a fellow school board member who farmed and said, “There’s this teacher at Seneca High School you really ought to meet. She’s a farm gal; her dad farms down in the St. Louis area.” So we were set up at a school board function where three of our school districts got together for a Christmas dinner every year, and she happened to be at that particular meeting, and that’s the first time that I met her. And we dated for about four years before we got married.
- DePue: And you got married what year?
- Nelson: In 1995.
- DePue: And her name?
- Nelson: Carmen.
- DePue: What was her maiden name?
- Nelson: Carmen Bassett(??). Her dad is a third-generation farmer in the Greenville area in Bond County. Very different types of farming operations. He has a small cow-calf herd and grows corn, soybeans, and wheat, so he has livestock as well. But he still farms today and still has that type of diversification. So my wife actually was one of the few unique individuals that as a woman, that really was very involved in the farming operation when she went through college in her career path.
- DePue: But you mentioned you were thirty-five before you got married.
- Nelson: That’s correct.
- DePue: What took up your time—not that farming all of this land and being very aggressive in what you’re doing with the farm wasn’t a full-time job, but I think there were some other things going on in your life as well, weren’t there?
- Nelson: Well, I was very involved in the community. As I said earlier, I was on the church council. I spent twelve years on our local school board at Milton Pope. Basically, I served eleven of those years as president of the school board. I was very involved in the Young Farmers Organization of Illinois Farm Bureau as well as the Soybean Organization. So my platter was pretty much filled with a number of community activities. And at the same time, I did quite a bit of banquet speaking, traveling around the state and the country giving annual meeting speeches.
- DePue: What were the subjects of the speeches?
- Nelson: Well, they changed from time to time. A lot of it challenging people to think outside of the box, the way agriculture was changing. Those were some difficult years. Back in the eighties, as an example, there were a lot of people that were forced out of farming. Credit was tight. That was very much a different type of speech to annual meetings as it was in the nineties when there were some pretty good times in agriculture. And it all depended on the audience—whether it was an annual meeting, whether it was an FFA annual meeting, an elevator appreciation dinner. You tailor it to the people you’re speaking to.
- DePue: But I think we’re missing something in this story here, Philip, because why you versus the thousands of others out there who were also farming?

Philip Nelson

ALPLM\_08\_NelsonPhi

- Nelson: Well, I've always had the love to farm, and I've always had the ability, and I think a God-given talent, to speak up for agriculture and to be involved in trying to represent people and trying to make the industry a better one.
- DePue: Did those opportunities to speak and to be a leader come from your involvement with the Illinois Farm Bureau, or is it just the diversity of things that you were involved in?
- Nelson: Actually, I think it was a compilation of a number of things. I think my speaking skills were developed a little bit when I was in the FFA organization. I got involved in the ALOT program of the Illinois Farm Bureau—that's the Ag Leaders of Tomorrow. That was kind of a launching pad. I happened to be in the very first Illinois Ag Leadership Program that was funded by the Kellogg Foundation—and that program still exists today. I was the young kid in the class. That was basically a group of people from age twenty-five to forty-two. And that really probably opened my eyes, because that was the first time that I traveled abroad. At that time, we went to Europe and met with a number of ministers of agriculture. We studied the common agriculture policy of the European Economic Community. And at the same time, we were going through a lot of turmoil back here in this country as we were trying to write a farm bill. So I think it's all those experiences that really melted inside me that became who I am today for the experiences that I was fortunate to be a part of early on.
- DePue: The travel overseas, was that because of the affiliation with ALOT?
- Nelson: That was because of the Illinois Ag Leadership Program. What it is is a two-year study group. The first year, you honed in on domestic issues; the second year, international issues. As a matter of fact, our class traveled to Washington, D.C. and had a face-to-face meeting with Paul Volcker, chairman of the Federal Reserve. And as I said before, it was interesting, because he made that decision to tighten the belt from an inflationary perspective and cause deflation in agriculture, which deflated a lot of the asset values of farmers.
- DePue: So that's the pain involved with his decision?
- Nelson: That's correct.
- DePue: But he was the one who was credited with getting the American economy out of that nasty stagflation cycle that it was in at the time.
- Nelson: And he did, but it did have an adverse effect on the agriculture industry.
- DePue: Okay. I still don't know that I understand—part of the travels and your relationships and what was going on at that time. Who was paying the bills for that travel? Was that something the state picked up?
- Nelson: Actually, part of the Ag Leadership Program was a funding grant by the Kellogg Foundation that provided that. But we were responsible for traveling to and from the seminars in state. They picked up the travel at the domestic level, where we traveled to Washington, and the two and a half weeks of international travel that we had.
- DePue: What struck you when you went overseas and saw how others were doing it?
- Nelson: Well, I think probably my biggest impression were the doors that were opened being a part of this trip, because at that time, there was a lot of, I think, finger-pointing at the European Economic Community because of their heavy subsidization of farmers, versus what we have said all along as an organization, and me personally as an individual: Give me the ability to produce and level the playing field, and we think we can compete with anybody. We saw

firsthand what those subsidies did to small farmers in Europe that farmed the equivalent of ninety or a hundred acres, versus at that time, 500 or 600 acres back in this country. And the prices that they were receiving really caught our eye. Soybeans at that time—and this was back in the early eighties—were selling between thirteen and fourteen dollars a bushel; back here, they were six or seven dollars a bushel. So there was a huge disparity in the price structure. And I think it also caught my eye of what, really, free enterprise is all about. You can see from our perspective in this country our ability to tackle and adapt technology, where Europe was pretty much stagnated. They had a quota system, that they could only produce so much, and once they hit that quota, there was really a discouragement to not going any further, where in this country, we always try to improve ourselves from an efficiency standpoint by producing more and more on a per-acre or per-head basis. You didn't see that in Europe at that time.

DePue: Well, this leads into a myriad of different kinds of questions and different approaches we can take. Let me start with this one: a lot of the criticism that's continuing on to this day, if you look back at the history of what's happened in American agriculture, is that the demise of the family farm and growth towards the corporate farm. But your discussion about the difference between Europe's model and our model would suggest that to a certain extent, you're okay with that?

Nelson: Well, I think that we've changed the structure of farming operations over time, and I still consider ours, very much, a family-run operation. And I can see it in this organization. That family-run operation, I can go to an example in southern Illinois where a family farms 18,000 acres, and there's twelve families, all the same family, that live off of that operation. And they employ nobody outside of the family. That's still a family-run operation, even though it's much larger than what people typically think of a farm. Our farm is not large by any stretch of the imagination by today's standards. So I think the structure of farming has changed over time.

I think one of the reasons that operations have gotten larger mainly is due to the fact of the efficiency. I think technology has driven part of that, and I think the other thing that you really look at, when you start looking at the investments that you make in combines and tractors and planters and sprayers, you have to spread those over more acres to justify your purchasing power and your overhead in a particular operation. I mean, the days are gone where you could afford a combine and a tractor—and a new one, or a newer one—on 160 or 240 acres. And I think technology has driven a lot of that. And the fact is, on a per-acre or per-bushel basis, we've got to ratchet down that screw to the point that you have to have that efficiency to make money.

DePue: And what differentiated our model here in the United States versus that model in Europe, where the average farm was dramatically smaller?

Nelson: Well, I think the whole capitalism of the production agriculture gives somebody the ability to compete, gives somebody the ability to make their own decisions, and don't let the government tell you what to do. In the common agriculture policy, and now with the European Union expanding to twenty-six member countries, basically they still have that stigma above their head. They're breaking out of it a little bit—they're starting to adapt to biotechnology, but at a much slower pace than what we have done in this country.

DePue: And the difference, you think, is the amount of government involvement or the amount of government subsidies they have in Europe versus here?

- Nelson: I still think it exists today in a little bit different form. It may not be on the per-hectare basis or the per-bushel basis that it was back in the early eighties—that's diminished, because they still have a pot of money, but instead of thirteen members countries, it's distributed over twenty-six. But I think the thing that is different is they still have somewhat government intervention that determines the quotas that they raise on a per-hectare basis or a per-animal basis, where we don't have that. We have said in this country, and I think we've gravitated towards change in our farm bills, going back to the first farm bill to the one that we're operating under today, is we have allowed the farmer to make those decisions. And as we went to the Freedom to Farm back in the nineties, in that farm bill, I think we tried to decouple what we have looked at as it relates to set-asides and direct payments to farmers to say, Let the marketplace decide and dictate to you as a producer whether you want to produce more acres of corn or more acres of beans this next year, based on what the market is signaling, not what a government farm program is dictating.
- DePue: Well, that was the other major direction that I did want to go with this, and that's the role of subsidies and the role that government has to play in their policies in this country as well, because if I'm hearing you right, you're saying that—this might be the wrong word—but the government in Europe tended to be much more intrusive and involved and dictating management decisions to European farmers than here traditionally.
- Nelson: Well, dollars drove that in Europe. When you started looking at thirteen-dollars-a-bushel soybeans for X amount a bushel, and if you went over that quota, that thirteen dollars became six dollars. So there were thresholds that really dictated what producers would produce in Europe.
- DePue: Are you saying that the government would guarantee thirteen dollars a bushel for soybeans, but only if you produced—
- Nelson: Raised X amount. That's correct. It was a quota system, where we never went that route. And I will tell you, if you look over history of farm programs, some things in our particular farm policy, looking back on it, did not work. Set-asides is an example—to take acres out of production. Back in the seventies and eighties, we had set-asides for corn and soybeans. For the most part, it was feed grains. We would have those to try to limit production to try to raise prices, so you would not receive government payments. The fallacy in that thought process was we were going into a global economy, and what happened is we would cut back our corn production here, but Europe or South America—Argentina, specifically—would increase their corn acres, so really, it didn't move the needle on commodity prices like people thought it would.
- DePue: Wasn't part of the problem also that while you're setting aside acres, you're still increasing the productivity on the acres that are still in production?
- Nelson: That was also a part of it. You'd always put your worst acres into set-aside. But I think the fallacy of the whole set-aside movement was just look at what South America did during that period of time that we were set aside acres. To try to prop up the prices, what they did is basically cleared rainforest to bring more acres into production. So we learned from our past mistakes, and I don't think set-asides work when you're in a global economy such as we are.
- DePue: The set-aside program, was that direct payments to farmers if they set aside a certain percentage or number of acres?
- Nelson: Yes.

DePue: Do you recall what the numbers were on that?

Nelson: Oh, I'd have to go back and look some of that up. You got to keep in mind, price of corn at that time was buck and a half to two bucks a bushel, so if it were going to make a big difference to your bottom line—for the most part, everybody coming out of the eighties, when we instituted those set-asides—to protect yourself and give you a floor, to not only put crops under loan, to sell crops, that sort of thing. The bankers, coming through that whole financial crisis that we did in the eighties, pretty much required farmers to be a part of the government program, to have that type of safety net. Now, contrast that—back in the eighties when things were not going the right way in production agriculture from a profitability standpoint—contrast that with today, where farmers have the ability to decide what crops to grow; they have much more flexibility in trying to determine their particular futures based on the market signals that are being given, not the signals that a farm program will(??) set up.

DePue: Well, I know that the ultimate challenge in American agriculture has always been, well, farmers are so darn good at what they do, they can always produce a lot more than the market seems to be able to bear, and that was the reason for all of these things that we've been discussing, the set-aside and subsidies. How has that dynamic changed over the last twenty, thirty years—or has it?

Nelson: I think the biggest dynamic that's changed has been the global environment that we're in. We're now seeing, based on what's going on in China and Asia and what their buying habits are—as you see some of these developing countries or underdeveloped countries have come into the marketplace for our commodities. And it isn't just corn and soybeans; it's meat products. Being a livestock producer, we certainly have helped to try to develop those markets. But I think this last year, in the year 2008, I think really you have witnessed a whole transformation of agriculture, because it used to be just that we would produce for a particular market. Now, as farmers are producing not only for food, fuel, and feed. And we see that whole dichotomy in the minds of farmers. Should I plant this particular trait in my farming operation for the local ethanol plant, which will yield more gallons of ethanol than a traditional hybrid; or should I plant this particular hybrid that will have more protein in it for a hog farmer down the road, and I'll get a premium for that; or do I grow pharmaceutical crops? I mean, the whole difference between going back to the eighties and early nineties to where we're at today is I think now farmers are becoming more astute marketers in looking at what type of products that they want to grow for the marketplace.

DePue: I want to take you back to your early years in farming, and I don't know if I'm going to get these dates right, but my guess is, about the time you got into farming is also about the time the United States started to sell to Russia, to the Soviet Union. Do you recall what impact that had at the time?

Nelson: I was in high school, at Newark High School, and I remember coming home one night after school, and Dad and Mom were just euphoric. Beans had just hit twelve dollars a bushel—soybeans—and we'd never seen that type of plateau. I also remember, at that time Earl Butz, secretary of agriculture, certainly one of my mentors as a secretary is concerned, because Earl really stood up, or Secretary Butz really stood up for farmers' interests. And what he said back in the seventies is, "We've got the ability to produce fencerow-to-fencerow in this country, because through the way that farmers think in this country, they can take technology from the research laboratory and apply it into the field probably as fast as any other farmer on the face of this earth." Having said that, your comment that we always seem to overproduce—and I

think part of the reason for that is that adaption of technology occurs first here in this country, and the fastest. And we sometimes have the most bang for the buck to get that technology up and running. But having said that, going back to when the Russians came knocking at the door, and Earl Butz made the comment at that time, "I would rather be trading food than bullets," it made a lot of sense. I think really that's what transformed agriculture to where it is today. Going back to those mid-seventies when we decided to say, "We got to change our stance on trading with the world," and whether it's Russia, whether it's China today, it's happening. Unfortunately, one of the biggest challenges that we face today is tearing down some of the trade barriers that these developing countries or developed countries are putting in place to not allow trade to flow both ways.

DePue: On the counter side of that, I think there was a time when there was a grain embargo.

Nelson: Well, that's where I was going to go for. I remember my mom and dad's faces, with the enthusiasm and that euphoric look, but I also remember when Jimmy Carter slammed the door shut on all of that, and the prices came tumbling down. And that was a sad moment in time, because we felt agriculture was being singled out. And with that singling out, that also sent the signal to South America to produce, because they were still clearing lands down there at the same time that we shut off trade, based on what the president thought at that time needed to happen, to embargo products going in there.

DePue: Did you know, or did your parents know, anybody who was impacted so much at that time that they got driven out of farming?

Nelson: I don't recall the fact of somebody that got driven out of farming, but it really tightened the screws down in the marketplace, because we went from this euphoria that we were seeing to pulling things back down to the pre-Russian deals that Secretary Butz pushed forward.

DePue: Next question, then. You've spent your entire life being involved in a variety of different organizations, and it seems to me that early in your life, you made the decision to be very closely affiliated with the Illinois Farm Bureau. And I'm framing the question this way: why the Illinois Farm Bureau and not the Farm Union or other organizations you could have selected?

Nelson: Well, I should show you that we have a long, rich tradition in our family in Farm Bureau, on both sides. My wife's parents' grandparents were leaders in the Bond County Farm Bureau system, but I really followed my grandfather and father's footsteps. My dad actually was on the La Salle County Farm Bureau board at the time when I was involved in these other organizations, and he said, "I need to step down; you need to go on." But a friend of ours—and we had two directors from each particular region of La Salle County on the Farm Bureau board—his best friend stepped down, and Dad said, "I think you need to get involved in this." And he pushed me on, and I didn't think that it would turn out this way, but one year after I got on that board, I was serving as president of the local county Farm Bureau. So it goes back to my grandfather, Leonard, and then my dad, Stanley, who served on that board of directors long before I came around.

DePue: Well, part of the question was based on these different farm organizations taking different views towards important things like governmental farm policy, and I wanted to see if you can address that part of the answer.

Nelson: Well, I think one of the reasons that we're involved in Farm Bureau and not other organizations such as you have alluded to, is I think the belief that this organization was



founded on—I go back almost ninety-three years ago in Tazewell County, where a group of farmers got together and said, By collectively working together, we can accomplish more than going it alone, and that's really what founded this organization almost ninety-three years ago. I believe that same belief has been fast-forwarded to today, where I think the belief that this organization, with all the people collectively working together, can accomplish a lot more than as an individual you can. And I don't think that belief has strayed very far from the ancestors that started the organization. I think philosophically speaking, our organization has always said, We want entrepreneurship to take place in production agriculture. We support that in this organization. I think we also support in this organization to try to grow people to become spokesmen—more articulate spokespeople—in the organization representing this industry. So there's a number of really strong foundational beliefs that pulled me into this organization, and partly, it was family, but partly, it's the philosophy that this organization stands for.

DePue: Would it be fair to say, then, that the Farm Bureau—the Illinois Farm Bureau—tends to generally favor less government involvement, less government subsidies, less government support, than Farmers Union or other organizations?

Nelson: I think that that's a very fair statement, because we've always believed in free trade, fair trade, and more trade. I think secondly, we've always said, Show us a better way to farm, whether that's technology that we use in the particular row-crop operations or what we breed in as far as efficiency into our animals that we raise, whether that's beef, pork, dairy. Yes, we believe in those strong principles. And for the most part, I think our organization has not strayed very far from that over the longevity of time.

DePue: Okay. We need to take a quick break right now, and I think this is a good place to do that, and we'll pick it up in just a couple minutes.

Nelson: Okay.

(pause in recording)

DePue: We're back with our second session with Philip Nelson, and we wanted to talk a little bit more about your experiences as a farmer before we got into your experiences with the Illinois Farm Bureau, especially as the president. So take you back to all these many years. You've been involved with farming how many years now? Put you on the spot again.

Nelson: Boy, 2008 to about '78, so thirty years.

DePue: And you've seen a lot of changes, I would think, during those years. Let's talk about land management practices, especially low-till or no-till.

Nelson: Well, in the thirty years, I've seen it all. I mean, I can remember back as a kid, where my dad was a firm believer in soil conservation. We did no tillage in the fall, because he and my grandfather believed that you'd lose your precious topsoil—the blowing and drifting of that precious topsoil. So we would do most of our tillage, as it related to corn and soybeans, in the spring of the year. Now, granted, we weren't farming quite the acres that we do today, but we had much smaller equipment. I mean, a twenty-foot disc was a big thing back then; now we use a forty-three-foot rig in front of our corn planter today. But we did things very differently when I was first starting out farming with Dad. I think over that period of time, I think farmers in this state went to a lot of no-till to conserve the topsoil, but even more importantly, reduce the number of trips over the field. The price of diesel fuel has went up substantially, especially this last year, where farmers try to minimize the impact and the usage of diesel fuel in their farming operations by either using bigger equipment or less passes over the field. So that

whole transformation, in thirty years, we went from I would think a very conventional type of an operation to reduced and minimum-till and no-till as we see it today.

DePue: What's the tradeoff?

Nelson: I think there was once the fallacy to say, the less trips that you use, the more compaction you're going to have, and you're not going to see the particular production. But I think there isn't much of a tradeoff today, from the standpoint that we've developed hybrids on both the corn and the soybean side as it relates to genetics that I think compensate for the reduced tillage trips. I think we've got hardier seeds today, given those genetics, so they can withstand the colder elements that they might be planted into the soil here in this state. So I don't think there are a lot of tradeoffs, and I think most farmers feel very comfortable with a minimum- or no-till operation today, as opposed to thirty years ago, where we still didn't have quite the chemicals to spray to control the wheat pressure. We didn't have the technology in the seed that we have today, as it relates to withstanding some of the bug pressure, whether that's rootworm or corn borer. So I think the evolution of technology through seed and through chemicals has really changed in the last thirty years quite substantially.

DePue: Well, that gets me to a couple of the other areas that I did want to talk about, and you've already talked about a little bit, but if you can go into the impact of hybrids, and especially connect that with the growth and production or increase in production.

Nelson: Well, I think I'll go back, and I'll use a realistic comment of what happened in the late sixties, early seventies—and I was fairly young at the time. I remember we had the blight issue in corn production. There was no technology in place that could compensate for that; in particular, hybrids were more susceptible to it than others. And it was devastating, from the standpoint—

DePue: Tell us a little bit more about the blight itself.

Nelson: Well, basically it was a fungus that set in on the particular corn plant, and it would have a dramatic impact on yields.

DePue: Was it on the ears themselves?

Nelson: Yes, the ear—actually, it was a combination of both the ear and the leaf. And depending on what strain you would have, it could wipe out your yields 50 percent. Now, going back thirty years ago, you know, 100- to 120-bushel corn was a good thing—nothing like today, when we are in that 180, 170 range almost on a consistent basis. You look to the future; some people are predicting we're going to be averaging 200-bushel corn in the next five years. A decade from now, some are saying we could be as high as 250. And part of that is that transformation of genetics. We now are stacking traits into that particular seed that are resistant to insects. They have traits in there that they're resistant to various forms of chemicals that you apply. Which, the good part about all of this technology, is it's really safer for the environment because it's in the seed where it needs to be to basically have that type of resistance. We apply less pesticides today than we have in time, and I think that will continue.

DePue: But anytime you bring up the issue of genetically-altered seeds, there's a debate that goes on around that, is there not?

Nelson: Well, there has been a debate. I think consumers are getting more comfortable with the new technologies that are going through more scrutiny today. I happen to be on the very first USDA Biotechnology Advisory Team, and don't there, we went through the whole incident of StarLink, where there was a split registration for a particular technology that ended up getting into

basically the marketplace. It didn't have any effect on people, but needless to say, we didn't have the channeling in place to protect that. Having said that, now the scrutiny, between EPA and FDA and USDA, and you put that whole jurisdiction in place with the National Institute of Health, I think we probably have the toughest set of a regulatory framework for approving technology today that we've ever had.

DePue: I'd like to be able to put this Starling incident that you talked about, if I'm pronouncing that right—

Nelson: StarLink.

DePue: StarLink. Into a little bit more context, if you would.

Nelson: Well, basically what it was is a particular company applied for a registration for a new technology, and at that time, EPA, I believe, or FDA—one of those two agencies—approved for the first time a split registration for that acceptance of that technology: one was for feed use and one was for food use. We'd never done that. And I think the valuable lesson that came out of that whole consternation is that is something I don't think will ever happen again. I think we need to make sure we've got all the hurdles addressed before we release that type of technology into the marketplace, because we are in a global marketplace today, and it's got to have not only the acceptance of consumers in this country, it's got to have the acceptance of consumers in Europe and Asia. And one of the valuable lessons we've learned through this whole transformation of technology is you've got to have that line of communication open. Europe has been much more resistant, *i.e.*, Greenpeace, of keeping technology out of their country, because they have this false sense of hope that there is not going to be the type of regulatory scrutiny in releasing some of this new technology in the marketplace.

DePue: Well, I recall, I don't think it was too long ago, there was a real challenge because there was genetically-altered grain that got mixed indiscriminately with grain that wasn't genetically altered, and then you got into the issue of the foreign markets and how it could be marketed.

Nelson: That was part of the StarLink episode, yes.

DePue: Is Asia also resistant to some of that?

Nelson: What we've tried to do—and this is where it goes back to that first Biotechnology Advisory Committee that I was a part of—what we have said as a country—and we've tried to get a protocol that all countries would buy into, so you've got the same type of assurances that meet the certain scrutiny of the various countries that are trading partners with us, as well as their technology. So we've tried to get everybody to buy into a protocol that would level out that standardization of that technology coming into the marketplace. Unfortunately, that doesn't necessarily hold the political weight back in various countries, *i.e.*, when we got into the mad cow incident in Canada, and the border were closed. The same thing happened in Great Britain as it related to mad cow disease. You know, we've seen a little bit of that on the technology on the grain side. So as you develop this whole global economy that we're a part of, you run into these issues, and hopefully we're going to be smarter as we go forward in trying to address them.

DePue: What's the vehicle, or what are the institutions that attempt to get agreements, standardization across the international boundaries?

Nelson: Well, the big vehicle that's in place—but unfortunately, not all countries are a part of it—is the World Trading Organization, or WTO. The General Agreements of Tariffs and Trade before

- the WTO. The fallacy of that is if all the trading countries are not a part of that—Russia is not, as we speak—you play by two different sets of rules.
- DePue: And the play the advantages to their benefits, I'm sure.
- Nelson: And they do. Matter of fact, I happen to be on the AFBF Trade Advisory Committee, and we were just in Geneva, Switzerland, back in September, the week that we had the meltdown in the financial community, and one of the major talking points that week—not only trying to get the WTO talks concluded—was the accession of Russia into the WTO. And what has happened there with the political ramifications this last year has really held up them becoming a member of the World Trading Organization.
- DePue: From what you said, I'm taking it, it's Russia's political leadership that's dragging their feet?
- Nelson: No, just the opposite. The World Trading Organizations—you've got about 137 countries that are a part of the WTO. They would like to come in, but some of the major players in the World Trading Organization, given what happened in Russia as it related to some of the things politically that have happened, have really kind of drug their feet of allowing Russia in.
- DePue: Chechnya? I'm trying to think of the other flashpoints in the old Soviet Union now that are playing out. So it was those kinds of things?
- Nelson: Yes, yes. Yeah, it's a whole different thought process. But going back to your question, what is the standardization to accept this? The World Trade Organization is the best template, but now, since that hasn't happened, you've got the Organization of International Guidelines or the OIE report that Japan looks at, and then you've got Canada that's got a different set. So we have really a patchwork quilt of various trading regulations and restrictions.
- DePue: AFBF—what's the acronym stand for?
- Nelson: The American Farm Bureau Federation.
- DePue: And how is that distinct from Illinois Farm Bureau, from the American Farm Bureau?
- Nelson: Well, the American Farm Bureau is the umbrella for all the state farm bureaus to be a part of. We have all fifty states, plus Puerto Rico, that are a member of that organization. They have about 6.2 million members nationwide. Illinois happens to be the fifth-largest Farm Bureau state in that federation. We have 420,000 members in Illinois, and that is a compilation of farmer members plus associate members.
- DePue: And AFBF, the affiliation there?
- Nelson: Basically, they have 6.2 million members, and they don't diversify their classification. It's all membership.
- DePue: Is that a different organization with an incredible amount of overlap?
- Nelson: Well, it's the national organization that basically represents us in Washington, D.C., at the World Trade talks on the international scene.
- DePue: Okay, it's the *F* that threw me off there, then.
- Nelson: Yes, it is a federation. And Illinois Farm Bureau is one of the major players in that organization. We like to think we're the premier farm organization of the American Farm Bureau.

DePue: Well, you're always in competition with my home state of Iowa in terms of peak production levels, for grain at least, for soybean and corn, and I'm sure that some other Midwest states are in the top tier as well.

Nelson: Actually, we are the largest Midwest state by far in membership. We just came back from our annual meeting and really received all the President Awards by the American in our membership category. But no, we're by far the largest in the Midwest; there really isn't anybody too close to us.

DePue: You already told us you're still in the animal side of agriculture as well. How has that changed in the time frame that you've been involved?

Nelson: Well, it has transformed probably every bit as much as the crop side. I can remember as a kid growing up on the farm where we raised our hogs outside on dirt with electric fences, and on a Sunday afternoon, we would try to corral those hogs to take them to the marketplace. And you'd start with a twenty-acre field with panels to get them into a corner to be able to load them. And at that time, the hogs were raised outside. They fought the elements of weather and sun and the snow in the wintertime, and did not have heated buildings, and we had high death losses, given the inclement weather that we faced. Take that from where I was as a kid growing up to where we are today, where our livestock for the most part are in controlled environments indoors. This morning, as we talk, we had minus forty-two degrees with wind chill, and I walked into our barns that were sixty-five to seventy degrees, heated. The hogs and the cattle had all the comforts of almost a person living in a house as you know it, just because of the way we've improved the efficiency. But we've improved really the control of the environment as opposed to thirty years ago.

Also in that same time period, we've improved the genetics of the animals that we raise. I can remember growing up on the farm in early years where it would take seven to eight months to finish a hog to 240 pounds. Today, we do that in four and a half months, and they reach 260 pounds. So the genetics that we have bred into particularly the hogs have really made things much more efficient in the utilization of the corn or the feedstuffs that go into that animal. On the flip side, on the dairy side, if you look at the pounds of milk per cow, when we were growing up, that number was 16,000 or 17,000 pounds in my early days; now that number is 23,000, 24,000 pounds per cow. So you look at really, technology has had a dramatic impact, as well as genetics, in the livestock side of the equation as well.

DePue: We've already talked about the tendency toward larger operations and more efficient operations as you get into economy of scale. Is the same thing going on in the animal side?

Nelson: Yes, I think that we are probably more so on the animal side than on the grain side, because we have found out, as we've grown the operations, I think we become more specialized. And in the case of our farming operation, it's very true. We used to do everything from the breeding of the hog to the farrowing of the hog to the weaning and finishing of that market pig. Today, we—meaning our farming operation—we contract with a guy who does nothing more than the breeding and the farrowing and the weaning, and then bring those pigs to our particular farm, and we finish them only. So I think you become more specialized. But the numbers are growing, and part of the reason for that is, when you look at the number of sows that a person can manage, versus where we used to do it all outside, where it took a lot more people to manage those sows and those hog herds or beef herds or dairy herds, you can do that much more efficiently under a roof where you might have multiple barns to walk through, that I think the care for those animals has improved immensely, that you can really manage more.

DePue: How many hogs was your dad finishing forty years ago?

Nelson: Probably somewhere in the area of 500.

DePue: Per year?

Nelson: Yes. And today, we're at about 5,000.

DePue: So there's a good example of that trend. And are you on the large end of that?

Nelson: No, I'd say we're probably on the smaller side of that. There's operations that have 10,000, 20,000 that they finish. We're probably on the shorter side of that. I think part of that is due to the fact we're fairly diversified. A lot of pork producers today are so specialized that they buy a lot of their inputs—their corn. They've become so large that they rely on the corn farmers in a particular area to furnish their inputs as it relates to corn or soybeans.

DePue: How close were you to getting out of the pork business a few years ago when the market collapsed?

Nelson: In 1998, it was a challenge because we had hog prices in the single digits, eight cents a pound, which meant at that time, we were getting about twenty-five dollars for a finished hog. And it really flushed out a lot of pork producers in our particular area. But no, we've stayed through it through thick and thin. We were farrowing at that time, and then coming into the Farm Bureau where I don't have quite the hands-on involvement that I'd like to have in a particular livestock operation—I rely on our help to do that—we got out of the farrowing to try to streamline that process.

DePue: What was going on in 1998 that caused that collapse in prices?

Nelson: Two things really happened. It was an overproduction. You talk about producing. We had an overproduction of pork in this country, and really, the export markets collapsed, so both of those issues hit at the same time, which really caused the pork market to go into a free fall. And there was overproduction not only domestically but internationally—coming out of Canada and Denmark, two major hog-producing areas, basically contributed to that as well.

DePue: Was there an expectation that the hog market internationally was going to grow, and it did the opposite, then?

Nelson: Well, as you see population grow worldwide, one of the first things that a developing country does is acquire more meat, more protein in their diets. And along with that, we had a glut of protein. It wasn't just pork. Poultry added into that, as well. So it was the protein market that really tanked worldwide, and we suffered the consequences of that. The other thing that happened in that demise in 1998 was our shackle space, or the amount of space where hogs were processed, was very tight at the time. And for the first time, we had an overproduction of animals, and we had a shortage of slots to process the particular animals. It was the perfect storm, so to speak, where all of these factors came together, and it just went into a free fall in the commodity price.

DePue: Well, recently, the United States government has gotten into the business of bailing out certain industries or certain—you know, banking and automobile. I don't recall that there was any talk about bailing out hog farmers back then.

Nelson: No. And you know, the livestock industry, for the most part, has been a pretty strong industry over time. They've never participated in any government program, any government buyout that you've just alluded to. They've been pretty much freethinkers, and they've taken it upon

themselves to dictate when they cut back or do things to try to make prices respond. They're very independent. And I think that continues. The cow-calf producer is very independent, as well as the pork producer, whether it's the person that farrows the wean(??), or the person that finishes the hogs.

DePue: Do you see the same kind of consolidation going on in the beef industry as we have in the pork industry over the past twenty years?

Nelson: Well, I don't think you're going to see quite the acceleration that we have seen in pork or poultry, where we have integrated. To a degree, the poultry industry is almost totally integrated, and by that, I mean that the processor really controls everything to the start of the process, through contracting. Pork, through the collapse of the 1998 demise and the free fall in the prices, I think integrated more. We now only have about 15 percent of all the hogs that are bought on a spot market—that means that they're not contracted. So that particular industry has integrated substantially since 1998. I don't think you're going to see the beef industry go through quite that consolidation or integration for a couple reasons. Number one, it's hard to integrate that cow-calf producer all the way to the feedlot, because that cowboy, wherever he or she may be, whether it's in Illinois or out West, it takes a long time, by the time you breed the cow, you calve that cow, and that calf hits the feedlot. And I don't see that coming to a degree of integration like we saw the other species, because of how quickly you could turn around that bird or that hog, from conception to the time that it hits the grocery store.

DePue: For Illinois, for example, does that play out so that there's a lot more Illinois farmers who have a fairly small number of cattle that they're finishing off than there are for hogs?

Nelson: Well, we probably are not near as big as a Wyoming or Montana or Virginia as it relates to cow-calf production. But having said that, one of our priority issues in our organization over the last three years has been trying to grow the animal agriculture industry in this state, for a couple reasons. Number one, we need to have the cow-calf producer expand so that we can feed more cattle in Illinois—either that or we import them in. And given the whole change as it relates to the food and fuel debate, we've built a lot of ethanol plants in Illinois over the last couple of years. And there's an awful lot of coproducts that come out of those plants that are very advantageous to that feedlot operator or pork producer. So we're trying to address that as we grow that industry as well, so hopefully at the end of the day, we have a vibrant animal livestock industry here in Illinois.

DePue: There has been a lot of resistance from the general public, though, to some of these larger animal operations, especially the pork operations. Can you address that?

Nelson: Actually, we've had our hands full in trying to grow the livestock industry in Illinois as it relates to siting issues. We've been very fortunate in this state. My forefathers or predecessors put a Livestock Management Facilities Act in place here in Illinois that says that if you're going to grow your livestock operation, you need to meet the following criteria. Setbacks are a part of that, nutrient management plans are a part of that, certainly the specs on the building and the foundation, the pit structure or lagoon as it relates to their manure. Handling facilities are a part of that. Having said that, the biggest rub and disconnect that we have seen over the last decade is as we've tried to expand our livestock operations—and a lot of those are family-run operations—the person that moved out from the city to the rural area does not really understand those particular hoops that producer has to jump through to make that happen. And at the same time, there's a real disconnect between agriculture and that rural type of living or neighborhoods that we've really had to try to address. Out of that has come where we've had

informational meetings to try to explain to them what will be happening in those particular operations, whether it's a dairy farm or a pork facility or a cattle feedlot. So I think we've tried to act more responsibly in the last couple years in trying to site these facilities and make sure everybody understands what is coming and what is to be expected.

DePue: I'm going to do a poor job of asking this question, but I recall talking to somebody else, that part of this dynamic and being able to approve what is essentially zoning decisions is driven by just the way the zoning decisions are done. I'm talking about the nature of government and the scale of government, whether these are county-wide decisions that have to be made or community-wide decisions, and whether it's easy or difficult to get some of these things approved. Can you talk about that?

Nelson: Well, the siting and the regulatory framework is done at the state level, not at the county level. The county can recommend—there is a non-binding informational meeting that is held. County zoning boards can vote no, but the state statute basically prevails, and the siting is done at the state level. And that's important, because if it were to be done on a county-by-county basis, we'd have a whole patchwork set of regulations across this state. And that was done by design to say, There is a role for the state to play in here that makes sure that everybody's got the same level of regulations, from deep southern Illinois to northwestern Illinois. And it's worked, and most other states in this country follow that same type of methodology. At the same time, I think the one thing that we do have in the Livestock Management Facilities Act is to have local input into the process. And that's what that informational meeting is held for. That input goes into the Illinois Department of Agriculture as they try to gather the information to either decide to allow the operation to go forward in site or not.

DePue: At this point in time, are you generally satisfied that that balance is working for Illinois?

Nelson: Well, I think the only caveat that I'd say to that is sometimes I get a little frustrated when the emotion trump card gets played over science and what the particular operator has done to try to meet all the criteria that's been asked for. And that has happened a couple times here as of late. And that does bother me, because you know, it appears the outside influence—not the people that live in the local area where this operation is being sited. And that's happened here lately more so than I'd care to admit to. I think the concern that I have is, Let the local people who live there, reside there—let them express their concerns, if there are any, not the people that live outside of the area, that pile on to say, We don't want animal agriculture at all. And I think the concern even gets greater—Proposition Two in California that passed, 63 percent to 27 percent, 28 percent, somewhere—37 percent. But anyway, when that passed, that told me that emotion rules at the end of the day.

DePue: Tell us more about Proposition Two.

Nelson: Proposition Two did really three things. It expanded the size of cages for laying hens in poultry production. It's probably going to cost consumers in California almost 50 percent more for their egg production, if there's going to be any egg production left in California. It got rid of gestating crates for sows for housing purposes through the gestating time period, and it eliminated veal production in California because of the crate characterization that the Humane Society of the United States put forward. The reason I say that that was an important proposition that passed by 60-some percent of the voting public is it said to me that I guess they're not that concerned of where their food comes from. As a producer and as a consumer, I am concerned where my food comes from, that it is safe and that it's went through a regulatory framework before it ends up in my refrigerator or on our dining room table at night.



DePue: Well, could they say that they are more concerned, because they want these changes implemented? Are they going to be importing from other states more of these products because they're not going to be producing them in California?

Nelson: I think they will be importing more of those, because from a production standpoint, I think some of the producers that I've talked to in California will be forced out of production, just because of the standards that they've put up. There needs to be a balance—and I think this is an important point— between what consumers want and what producers can produce, and somehow, we have flipped this equation around to the point that they don't understand the production practices that take place in modern-day production agriculture today. And it's a big concern, because I don't think it stops with animals or livestock production; it might even go to dust being admitted off of farming operations. And somehow, we've got to do a better job of telling that story about what's happening in production agriculture today to the consumer. I think we do that in a number of ways, through Illinois Farm Bureau or Ag in the Classroom Program is a small step in that direction. We also do it in a couple of the publications that we produce right here in-house in Illinois Farm Bureau—our *Partners* magazine and our *Farm Week* publication.

DePue: We're going to have more opportunity when we get into the Farm Bureau aspect of this interview later on to talk about those. Ethanol production—how has that changed the nature of your personal business, and Illinois farmers in general?

Nelson: Well, go back to thirty years ago when I got involved with farming. We used to call it gasohol, and Big Oil really trashed that particular commodity, saying it had no future. And what really transformed over the last thirty years is, I think, a number of things. There used be an additive called MTBE that Big Oil produced as a fuel additive, to hopefully improve the octane of the gasoline that consumers were buying. At the same time that was being produced, we went from gasohol to ethanol, and we found out that it not only improved octane in a particular consumer's gasoline, but it was good for the environment. At the same time, MTBE got down into groundwater and contaminated a number of water reservoirs, and thus, EPA eliminated MTBE. That really catapulted homegrown fuels, or ethanol, or biodiesel, into the spotlight.

I think along the way, about four years ago, when we had our first energy bill that contained a particular goal and objective of trying to get to a certain plateau—at that time, 7.5 billion gallons of ethanol—as a part of the overall energy portfolio, that sent the signal that we're going to grow this, and we're going to grow it primarily in the Midwest, from corn production. President Bush gave it another shot in the arm as he put a thirty billion gallon renewable fuel standard, of which corn-based ethanol would contribute about fifteen billion of that. The other fifteen billion was going to come from cellulose-based ethanol. So really, we've had quite a turnaround in the whole ethanol or biofuels industry, and it's really come back to farmers. And most of that push originated right here in Illinois, ironically. In its early days, it was Illinois farmers that were saying, This is good for the environment. Let's have a long-term energy plan. We think we can produce that particular fuel to the magnitude that we will have an impact on it. This last year, in 2008, we bumped over the five billion gallon mark. At the end of 2009, we'll probably be at 7.5 billion gallons of ethanol. And we think, given the technology that we're seeing in corn production, we think we've got the ability to grow most of that production right here in the Midwest to satisfy the needs of the U.S. consumer.

- DePue: There has been criticism lately, though, that the amount of fuel inputs versus the amount of fuel outputs isn't necessarily all that advantageous. Do you know what the ratio is for one gallon of ethanol? How much fuel has gone into that before that point?
- Nelson: Well, the efficiency of that has always been knocked by a number of the Big Oil participants, saying that it doesn't have near the efficiency that regular gasoline has, or that we could maybe even make another product that doesn't utilize quite the resources that corn-based ethanol does. But that efficiency has gotten better over time. We've also heard the knock that we use too many gallons of water to produce a gallon of ethanol. But contrast that—and I'll use the water example as a good example. It takes nine gallons of water to produce a gallon of gasoline; it only takes three gallons of water to produce a gallon of ethanol. I think the one thing that's important to take away from this is efficiencies are getting better and better as time marches on. Research is being done at SIU at Edwardsville that looks at this, and trying to improve the process. And I think one thing that is quite clear—over time, I think we do have to have a blend of both corn-based ethanol and maybe cellulose-based ethanol. But as I sit here today in early 2009, we're still probably five years away from making that cellulose-based ethanol efficient.
- DePue: The switchgrass, for example?
- Nelson: Yes. Switchgrass, timber—almost any product can be used in the cellulose-based component.
- DePue: Well, I'm probably going to be sloppy on the percentages here, but I was thinking that right now—the numbers I've been hearing is that for one gallon of fuel inputs, you're getting about a gallon and a third at the end of ethanol production. Does that sound about right?
- Nelson: I'm going to have to look at that, because those numbers are changing, and it's a moving target. The one thing that I constantly hear is that it's not efficient and that we should be able to move something down the path quicker than we can with corn-based ethanol. I will tell you, as it relates to biodiesel, you do get more BTUs out of a gallon of biodiesel than you do ethanol, but having said that, I think the processes are very different as well.
- DePue: In the biodiesel case, we're primarily talking about soybeans?
- Nelson: Right.
- DePue: Okay. I've also heard that, for example, taking sugarcane and converting that to ethanol is much more efficient than taking corn, for example, just because of the sugar content you're talking about.
- Nelson: Not necessarily true. It'll cost you about a buck and a half a gallon to make a gallon of ethanol right now as we speak. One of the reasons that everybody says sugar is much more efficient in making ethanol—and you use that in South America—part of that is being driven by a sugar program, much more so than corn-based ethanol. Because we looked at this a couple years ago, when there was a glut of sugar. Sugar producers were going out of business, especially in the Red River Valley and down in Louisiana. But if you were to look at the world price of sugar, you probably could be more efficient if we took away our sugar program in this country and went towards a sugar-based ethanol, but you don't get quite the BTU content out of sugar as you do corn-based ethanol.
- DePue: And I know that that is one of the other issues. The oil industry will tell you there's a lot higher BTU out of their product than the ethanol, as well. Can you address that criticism?

Nelson: Well, you're dealing with more of a pure product, and that's one of the reasons that they can make that statement, but it doesn't boost the octane like you can with a 10 percent or 15 percent blend of ethanol. And that's one thing that I think we're going to have to work on going forward, is at what point can we push our engines in this country to not only be efficient, but at the same time, allow that conservation to take place that probably needs to get there. And we think that we can move that 10 percent blend of ethanol up to maybe 15 percent and make that happen without altering anything.

DePue: Well, let's place this thing into context for those people down the road sometime who are going to be listening to this tape or watching the video here. What were corn and soybean prices in June and July of 2008?

Nelson: In 2008, we were approaching seven to eight dollars a bushel.

DePue: For corn.

Nelson: For corn.

DePue: And soybeans?

Nelson: We were in the fifteen dollar range.

DePue: What is it today?

Nelson: Today, corn is selling for about \$3.20 a bushel, and soybeans are about \$9.50.

DePue: This is all a preface to asking you this question: What do you say to those people who are very critical about ethanol production because it drove up the price of corn and therefore it drove up the price of food in most of the world?

Nelson: Well, I say that it's not as linked as what they would like to have seen, because the grocers manufacturers had a huge campaign to point all the fingers at ethanol, and the only thing I'll say is if you walk into your grocery store today and looked at the price of a box of Corn Flakes or cereal that that price has not come down correspondingly when we've seen 50 and 60 percent decline in commodity prices.

One thing that I think really led to the run-up of prices back in July of 2008 was energy. I mean, we were looking at 150-dollar-a-barrel crude oil, which some were saying was going to go to 200, if you recall, and now that has come down to a low of about thirty-seven dollars a barrel. We saw gasoline prices in excess of four dollars a gallon; just recently here in December, we had gas down to \$1.50 a gallon. So I don't think you can really blame it all on ethanol. Matter of fact, a small portion of that goes into the actual consumer price increases that we have seen. I think you can blame a lot of it on the energy, and you can blame a lot on the speculation that drove this market to those really high levels that probably we should not have seen. And when you look at index funds that drove that, not only on the commodity side, they drove it on the energy side as well.

DePue: Later on in the interview, we want to go back to the issue of Illinois Farm Bureau and the relationship with Chicago Board of Trade and the whole discussion about speculation at that time. So let's shift gears here a little bit and ask you about the impact of GPS, computer technology, some of these other things that thirty years ago, you couldn't even imagine—the impact that that's had on agriculture.

Nelson: Well, thirty years ago, we didn't farm by the square inch like we do now, and by that, I mean we use global positioning to spread our fertilizer, take our soil tests, of which we do to—really,

you might say we almost farm by prescription farming today. When we see a two-acre grid and a soil sample that calls for five tons of lime, we just spread that two-acre grid at five tons, and maybe two-thirds of the rest of the field doesn't get anything. So we not only farm by the square inch; we plant by the square inch, from the standpoint that now we can control—in our planter today, we can go across the field and use variable-rate planting, where the good ground might get 35,000, 36,000 plants per acre; the lighter soils might drop to 28,000, all in the same eight rows going across a half-a-mile field. It's phenomenal. But even more importantly than that, we now have yield monitors and precision farming in our combines. When we harvest, we know what a particular hybrid is yielding as we go across those eight rows when we're combining in the fall, and that helps us better prepare for the following year, as we not only selected the hybrids that we plant but apply the fertilizers to the particular field as well.

DePue: All that technology comes with a price, does it not?

Nelson: It does, and depending on at what stage you are, and I think we've got farmers in this state that are at various stages of probably not utilizing any of it, or a small amount of it, to the farmers that have autosteer technology that basically utilizes the satellite to keep a farmer on-row, whether spraying, cultivating, harvesting, where the farmer doesn't even turn the steering wheel anymore. I mean, it's really high-tech farming at its best.

DePue: Is that one of the things that's driving towards consolidation or larger farm operations?

Nelson: I don't think that is as much as the efficiency. Take, for example, in our farming operation, we have auto shutoffs on our spray rig so we don't overlap spraying, which means it doesn't cost you as much as it relates to chemicals; you don't overspray, so there's less chemical that's applied; but even more responsibly, that you're only putting what needs to be put out there. I think the one thing that it does do is it adds to less fatigue by the operator. Some of us put sixteen-, eighteen-hour days in when we're combining and planting, and if you're not there having to hold that steering wheel or look at a particular monitor all the time with such precision, it makes life a little more enjoyable in that combine cab or tractor cab when you're putting those type of hours in.

DePue: I often wonder what farmers are listening to when they're in the cab.

Nelson: (laughs) Well, they listen to a radio. We multitask. Not only do you listen to the radio; you've got to keep your eye on that screen as to what you're doing. But I think most farmers listen to country western music as they're going up and down the rows, and something to try to keep the monotony when you start putting long hours in during the course of the day.

DePue: But now you can have a seventy- or eighty-year-old farmer out there plowing for eight, ten, twelve hours. I would imagine back forty or fifty years ago, that was quite a strain.

Nelson: Well, I use the example of our farming operation thirty years ago. You know, not all our tractors even had cabs on them. The safety features that are equipped today are much better than they were when I started farming. I've got a nine-year-old son who runs a number of our pieces of equipment, and I don't have to worry near about the safety issues that I would have if I were starting him thirty years ago. But having said that, the comfort factor is much better. You're not inhaling dust. You can see at the end of the day where some of us, when we got started, were on non-cab tractors, and dust was flying every which way, and you got in at the end of the day to wash your eyes out just to be able to see or breathe.

DePue: Not to mention the health hazard that that—

- Nelson: That's what I mean. It's much better working conditions today than it was when I first started farming.
- DePue: The other thing that seems to have a huge impact in terms of the productivity are fertilizers and how they're applied, herbicides, and pesticides. How has that changed in the time you've been farming?
- Nelson: Well, we don't use near as much, as I said before. You know, and the chemicals are much more effective. The Round-up herbicide really changed the way we farm, both corn and soybeans. I can remember thirty years ago when we started no-tilling soybeans, the biggest problem we had was controlling weeds. And the joke was in the neighborhood, you could tell so-and-so was no-tilling because they had the dirtiest-looking soybean fields around. And it showed. When you combined, you had more foreign material and weed content in that sample. Having said so, when Roundup came out and you started planting Roundup Ready soybeans, weed pressure was eliminated. It was such a good chemical. It was safe to apply. Farmers accepted that type of technology quickly, and thus we cleaned up a lot of our soybean fields. And the same happened with corn when we got into some of that same technology in the cornfields.
- DePue: What does it mean to be a Roundup Ready soybean?
- Nelson: Well, it's basically the technology that is bred into that soybean seed that allows a plant to grow, put a particular chemical on that plant that does not really set the plant back when certain herbicides would set the plant back, and it kills off basically anything but the plant out there on weeds.
- DePue: Has that improved, in terms of the environmental impact, of applying—again, all three: herbicides, pesticides, and fertilizer?
- Nelson: Oh, very much so. I think the other thing that it has done is basically brought up the yields, because you know, a plant competes with a weed for sunlight, for moisture content, and if you can eliminate that at a particular time as that plant is growing, it allows that plant to produce more. So really, it's done a number of things. But I think not only the Roundup aspect of chemical production, if you look at the traits that we are breeding into these plants today, and on the soybean side, whether it's for higher protein or higher oil content, depending on what that particular end use is being used for, or if you look at the corn borer-resistant, the rootworm-resistant variety of traits that are bred into corn production has had a tremendous impact on not having to apply pesticides during the growing season. It's all in that particular germplasm.
- DePue: So it means a lot less runoff of these things into the water supply, for example.
- Nelson: Very much so.
- DePue: We've got just a few more questions here before we have to finish up for today. What of all these changes that you've seen in agriculture yourself do you think have had the biggest impact?
- Nelson: Well, I would say probably from the standpoint of technology in crop production, the chemicals or the lack of chemicals that we have to use today has had a significant impact on the bottom line and the production of particular row crop production. I think also, as we've looked at the technology on the livestock side, bringing animals inside and controlling their environment and keeping them in a much more comfortable environment has had a significant

impact on the production side of livestock producers. But certainly over the last two decades, we have witnessed huge strides, I think in a very positive direction for all of agriculture as a result of some of these technologies that we have seen.

DePue: But a lot of technologies that we've talked about here definitely have a high input cost to it, so can you talk about input cost versus profits and that challenge that you've got?

Nelson: Well, we cited 2008 as a roller coaster ride on commodity prices. We saw the same thing on input costs. In 2008, we doubled the price of fertilizer, we doubled almost the price of diesel fuel the farmers were using, we saw almost a 60 percent increase in prices as it related to seed corn, seed beans from last year, let alone cash rent rates have almost doubled in price. So with that, a farmer's bottom line, even though you might have seen some of these exorbitant prices based on what the commodity prices were doing, but yet their margin of profit just got squeezed huge in 2008 and going into 2009. So with that, we're going to have to see some escalation of prices back to higher levels than where we're at right now, because in some cases, farmers are below the cost of production for producing a particular commodity, whether that be corn or soybeans.

DePue: Or to see the input cost drop.

Nelson: I don't think you're going to see the input prices come down quickly because of the pipeline of input supplies is fairly great, and that's everything from fertilizer to seed. So I think there's at least going to be a year lag before you start to see that pendulum come back the other way.

DePue: Okay. The last two questions I've got for today are a little different track here, if you will. Talk about the relationship—you and your wife are both active on the farm, and how are those roles changing over time?

Nelson: Well, I think they have changed a lot. I look at my mom and my wife's mom that were more stay-at-home moms. They picked up the slack on the farming operation. But I think today, those individuals like my wife have become more business-oriented. I mean, she not only does the books, she helps selling of the crops, she manages the farming operation in my absence, and at the same time, she's the one responsible that seems to have to make decisions on an as-needed basis. I think you're seeing more of that professionalism come through the family, where the spouses are taking a more active role in the business side of the farming operation. And it is a business. It's a big business today compared to thirty or forty years ago. And that's not to diminish what roles my mom and dad had, but you're dealing with high-dollar agriculture today. This last year, we had to double the amount of money that was required just to put an operating loan together because of the rise in input cost. The operations have gotten bigger. You've got to pay more attention to your break-even costs and your bottom lines today, or you won't stay in business. That's the part that I see the spouse has really stepped up to a different level to be a part of that decision-making process.

DePue: What's the role of higher education in preparing both husband and wife for that?

Nelson: Oh, I think it's almost a given that you've got to go beyond the high school diploma, whether it's junior college or whether it's a specialty course or courses that you take. I always said when I was in high school I wanted to be an accountant by trade, for a couple reasons. I was always a numbers guy. You needed to know what your break-even costs were. I was probably one of the early innovators in a computer in our farming operation. Back in the seventies, I had a computer that did all of our book work. And that's evolved. But my kids laugh when they see what type of computer we had back in the seventies to what they do today. And I look at our

daughter and our son. They can maneuver through a computer better than I'll ever be able to. And at their age in life, that's just going to be a norm for them as it relates to trying to put the technologies that we have in the combine cab or the tractor cab into that laptop as you prescribe what type of nutrients or seed that you want to provide to a particular acre in your farming operation.

DePue: Last question for today, then, Philip, and this requires you to put your modesty to the side for a little bit. I know that in 1991, you were named Outstanding Farmer. Tell us a little bit more about that and especially why the United States—was it the American Farm Bureau that made that decision?

Nelson: Actually, I don't know. There's two different times. I was actually named as the Star Farmer through the FFA, and then I was also named one of the National Outstanding Young Farmers by the American Farm Bureau, but then a few years later, the Jaycees of the United States picked me as the Outstanding Young Farmer. So I don't know which one you're alluding to.

DePue: Well, I saw the picture up here—the letter from George Bush in 1991.

Nelson: Yes, that was the Jaycees. And I think that was really a compilation of a number of things. It's based on your community involvement; it's based on growing your farming operation. I was somewhat unique, because I think I was the first single person—I was not married at the time. I had not even met Carmen hardly at that time; it was shortly thereafter. And it was based on an interview. I think it was a number of the things that I was involved in, and I think the highlight was going to the Oval Office and meeting with the president of the United States and his wife Barbara at that time and talking about the future of agriculture. I was impressed, to say the least.

DePue: I'm smiling because I'm thinking about Garrison Keillor and talking about that bachelor farmers—the Norwegian Bachelor Farmers (laughter) that he always loves to talk about.

Nelson: Well, it was a remarkable honor, because I was nominated by our local Jaycees, and I won the state competition. And the ironic thing was about it was the state competition was held in Moline, Illinois, and my dad had a farming accident and was in the hospital, so my mom went to the state contest, and I won, and she was there, and ironically, at that fall, at age fifty-seven, she had a massive heart attack and died. And the national competition was held in the same hotel as the state in Moline, Illinois, and my dad was out of the hospital and went to see me win the national award.

DePue: I bet that meant the world to them.

Nelson: And it did. I view part of that as the drive that they instilled in us as kids, and you always tried to do something to please your mom and dad, and that certainly was a high point in both of their minds as I won the state and the national competition.

DePue: Well, we've got something like two hours of interviewing already, and it's fascinating to listen to you talk about these things, and it's obvious that you've had opportunities to talk about a lot of these issues we've addressed today throughout the entire state and country and maybe even beyond that point. So I look forward to hearing the next time we sit down and talk more about the Illinois Farm Bureau, your involvement, that organization. So thank you very much, Philip.

Nelson: Thank you.

(pause in recording)

DePue: Today is Friday, February thirteenth—Friday the thirteenth. My name is Mark DePue; I'm a volunteer with the Abraham Lincoln Presidential Library Oral History Program, and we're here with part two with Phil Nelson. How are you this morning?

Nelson: We're doing good.

DePue: It's a lucky day for me to have a chance to interview you, and I hope you feel the same way.

Nelson: Looking forward to it, actually.

DePue: We had a great talk last time—it was about a month ago when we were talking—and we spent most of that time period talking about your life as a farmer and the challenges you've seen as farming has evolved over these last couple decades. I want to just finish off with one other comment here or question in terms of farming, because I notice that you have a plaque out there—Master Farmer Award in 2001. Tell us a little bit about what it takes to earn that distinction.

Nelson: Well, I was very fortunate to be nominated by my local county Farm Bureau, as a matter of fact. On an annual basis, the *Prairie Farmer* magazine honors four individuals who have contributed to not only organizational work but their communities, and basically their family involvement in agriculture. So I was very fortunate to be selected that year to receive that prestigious award.

DePue: Well, that's the perfect segue, if you will, into what we want to really concentrate on today, and that's the Illinois Farm Bureau and your involvement with it. So you're dressed appropriately today.

Nelson: (laughs) Well, we wear the Farm Bureau colors quite well.

DePue: Okay, what are the Farm Bureau colors, red and white and black?

Nelson: Very good.

DePue: Okay, excellent. Okay. Tell us about your early experience with the Farm Bureau—how you got involved in the first place.

Nelson: Well actually, it was kind of a unique experience, because I was a state FFA officer, and I helped open the convention back in 1976, at the Illinois Farm Bureau Convention in Chicago. And the president at that time was Harold Steele. And Harold happens to be a good friend of my family, lives about an hour from us, and he was presiding over that meeting at that time. And I was so impressed by the way that not only he spoke of agriculture but his professionalism of running the delegate session and solving and talking about a number of the issues that I went back home, became a member of our Young Farmer committee at that time in La Salle County, and through the years became more involved in this organization. And I'm in his particular position at this point in time, representing the organization as president.

DePue: Well, I'm sure you're aware that we've had an opportunity to interview Harold about his experiences as well, so we sort of got the bookends, so to speak. What else drew you to the Illinois Farm Bureau? What was it about the organization, beyond being impressed with Harold himself?

Nelson: Well, as a young farmer, I watched my dad and grandfather. Both were leaders in my local county Farm Bureau. My dad preceded me on the board of directors; my grandfather preceded him. It really was an organization that has a lot of clout in our community. By "clout," I mean it's very active and involved with the local units of government. And it always seemed to me



as a kid growing up on a dairy farm that you look to groups to try to address your problems, whether it was roads or bridges, or whether it was issues that impacted a particular facet of what you did in the dairy industry—Farm Bureau did that. So really, that involvement got me back to the involvement in La Salle County at the Young Farmer level, and I continued that.

DePue: But were there other options, other groups that you could get involved with? I'm thinking of the Farmers Union or the Grange or other groups.

Nelson: Well, those two groups weren't very active in La Salle County. Actually, I think I'm fairly unique as president of this organization, because I was very involved in the Illinois Soybean Association as well as the Illinois Pork Producers. Being a pork producer, being a grain farmer, I became very active in those organizations. And prior to being president of the La Salle County Farm Bureau, at the same time, I happened to be president of the Illinois Soybean Association. I also served as vice president of the American Soybean Association and was very active in our Pork Producers. So I brought that commodity aspect of those organizations to the table when I ran for this particular job.

DePue: Well, that gets us to the next question then. You ran for this; you sought this position out, is that correct?

Nelson: I did. Actually, about ten years ago, I ran for vice president of the Illinois Farm Bureau. We had a four-person race—two board members at that time, two county presidents, applied for that position, so it was really a wide-open field. We campaigned statewide. This organization is not just an election off of the board; it's a statewide office, just like it is in units of government. So I was successful, and then four years after that, my predecessor announced his retirement, and then I ran for president uncontested. So I've been fortunate not to have any opposition to this point in time, serving as president of the organization.

DePue: What's the method that the president and vice president, some of these positions, are being elected. Is it statewide with all of the members voting?

Nelson: Yes, it is. We have a convention annually in December. The voting delegates have a vote based on their membership back in their particular counties, and they elect the president and the vice president every two years. We have a tenure(??) in Illinois Farm Bureau. We can serve five two-year terms, which is ten years' tenure. And the board also has that same tenure policy as well.

DePue: Okay. Here's a question you might not have expected. Give us your stump speech when you were just running for presidency. What were the issues?

Nelson: Well, I basically said that we needed to do a better job of communicating between the county and the state. Not to say we weren't doing that, but communication is critical in this job. When you have 420,000 members, whether it's the associate member or the farmer member, they want to know what they're getting for their membership dollars. I think that's very important. Secondly, I said that we needed to be a recognized and formidable voice in Springfield. That's a challenge in its own right. As a nonpartisan organization working on both sides of the aisle, I think we've restored that. I think we're very much pointed to, when it comes to ag issues, as a go-to organization. And I said thirdly, we want to be a recognized voice on the national scene on national issues that impact agriculture. And really, those three things, I think we've been very successful at, under the leadership of my administration when we came in as well as the board of directors.

- DePue: Okay. What are the other farming organizations at the state level that are out there that are also competing for members?
- Nelson: Well, we're fairly unique in our state. About 85 percent of all the farmers that are involved in production agriculture are a member of our organization, so we have a pretty strong base. There still is the Farmers Union. They have a much smaller representation as it relates to a general farm organization. It's really Farm Bureau and Farmers Union that are the largest contenders for that. We have a number of commodity groups in Illinois. We have the Illinois Soybean Association, Illinois Corn Growers, we have the Pork Producers, the Cattlemen, we have the dairy organizations, as well as we've had some new associations that have started—the Vintners Association. We are starting to have quite a bit of presence as it relates to the grape industry in Illinois. So Illinois is a very diverse state as it relates to ag organizations.
- DePue: If you're a member of some of these other commodity organizations, would it be likely you're also a member of the Illinois Farm Bureau?
- Nelson: Yes, and I think I'm a living example of that. Our particular farming operation as a member of the corn, the soybeans, the cattle, the hogs, in addition to being a Farm Bureau member.
- DePue: Is it likely that you can be a member of the Farmers Union as well as the Illinois Farm Bureau?
- Nelson: We do have people that are members of both, and I think part of it is that they want to make sure that they have representation. And there is, I think, a little bit of difference in philosophical opinions between the two. We've always been that organization that believes in free, fair, and open marketplaces to price your commodities. I think we've always had that entrepreneurial spirit in Farm Bureau that we can make the best even better. And I think that's a little bit different than some of the other organizations. But overall, we all try to work together. Illinois Farm Bureau created the Illinois Ag Roundtable, which brings all of the organizations to the table twice a year to try to discuss issues and bring commonality to those issues.
- DePue: Those are some great, very diplomatic answers to these questions. Tell us the distinctions, though, the specific distinctions, between your organizations and the Farmers Union, for example.
- Nelson: Well, on trade, we're very different. As I just said, we believe in more openness on trade and trying to find markets for our producers. They don't necessarily agree to that aspect of it. We've I guess differed on trade policy issues along those lines many times. And at the Ag Roundtable by consensus, if we don't agree, we don't move that issue forward. And that's one of those issues.
- DePue: But I'm still not clear exactly where the Farmers Union would come down on the trade issue. They can't be opposed to it, are they?
- Nelson: They're probably not totally opposed, but they don't believe in some of the same access agreements that we do as an organization. I think secondly, philosophically speaking, they believe in more regulations than what we do. We sometimes disagree on that. Overall, they haven't had quite the PR spin as far as trying to get out on front on some of the issues. Now, under the Obama administration, the National Farmers Union has made, I think, some strides in trying to get the communications side of letting their members know that they tend to tilt more towards the Democratic Party, where American Farm Bureau, our philosophy at times will tilt a little bit more to the middle or more to the Republican side. But given the fact that

our state is controlled by Democrats at almost every level, we do have to work across the aisles, and I think we've proven that we can do that.

DePue: Is the Farmers Union then generally—and this is a historical question as much as anything—more sympathetic to a greater government involvement with farming, government subsidies programs, those kinds of issues?

Nelson: I think it would tilt in that direction. As I said, I think they're a little more protectionistic on trade. The Permanent Normal Trade agreement with China was a good example. They did not support that, because they looked at trade from a one-way street, as far as us shipping things out but not allowing access to other commodities in. And we've had that same discussion on the national scene and international scene with the World Trade Organization.

DePue: So would it be fair to say that the Illinois Farm Bureau, the American Farm Bureau Federation supports NAFTA, supports other similar agreements, and that the Farmers Union generally sometimes does not?

Nelson: That would be a fair assessment of that. And I wouldn't give it a blanket statement that they don't support any trade agreement, but some of those that you mentioned—NAFTA, CAFTA, as we looked at PNTR—they opposed many of those because of the stipulation that they did not want the trade to flow both ways.

DePue: How many members did you say that Illinois has in the Illinois Farm Bureau?

Nelson: We have 420,000 members, and the national organization has 6.2 million.

DePue: And what percentage of the Illinois farm population, then, are members?

Nelson: Between 85 and 90 percent are members of our organization.

DePue: I assume there's annual dues that they have to be paying.

Nelson: They do. We have annualized dues, and those will range anywhere from forty-two dollars, I believe, is on the low side, up to seventy-five to 100 dollars, and that is set at the county level.

DePue: Well, farmers are practical sort of people, trying to balance their checkbook at the end of the month. What do they want you to do on their behalf?

Nelson: Well, I think there's a number of things on their wish list. Number one, they want you to be proactive and represent their interests, and that can range everything from what we do on farm policy to regulatory relief or regulatory reform. They want you to stay on top of the issues. We've got a pendulum that is swinging both ways, and you need to make sure that you understand what's creating those shifts on various issues, whether that's animal welfare, whether it's air emissions, you name it. A whole host of issues are on the table.

And I think probably more than anything else, they want to be communicated, to know what's going on. We're a very unique organization. We cover communications efforts on a number of fronts. We've got our own radio station, RFD Illinois, that basically we have members listen to daily. Secondly, every week, we send the largest—circulation-wise—farm newspaper in the state, called *Farm Week*, to our members, so they see on a weekly basis what is going on and what are some of the hot button issues that we're working on. And then to the associate members, that 300-and-some-thousand base that belong to this organization because they believe in what we do, we send a quarterly magazine called *Partners* that keeps them abreast of the agriculture issues as well. I think we have a very fine communications shop to

try to get the message out and get the concerns out and the issues that we're working on to our members.

DePue: Is there a lobbying branch of Illinois Farm Bureau?

Nelson: Yes.

DePue: At the state level?

Nelson: Yes. We are registered lobbyists in not only Springfield but in Washington, D.C., so we can carry the ball, so to speak, on the issues that are important, to meet with legislators and certainly try to influence them on the particular issues that we're working on.

DePue: What are the issues right now? What's on the agenda?

Nelson: Well, on the state side, the state budget issue is probably the most pressing issue that we're trying to figure out how everything's going to shake out as it relates to the Illinois Department of Ag—looking for ways to see how we're going to leverage dollars to address the infrastructure needs in this state. Farmers are big consumers as it relates to transportation issues, whether it's moving their commodities on the waterways of Illinois—the Illinois River, the Mississippi River. We have a number of issues trying to upgrade our lock system. Secondly, not too many people have to go very far in Illinois to see some of the situations that we're dealing with on roads and some of the problems that are associated with those roads as far as needing repair. The bridges in Illinois are in dire need of repair and replacement.

DePue: And grain trucks weigh an awful lot, don't they?

Nelson: They do, but we're one of the few states in the Midwest that do not have access to 80,000-pound roads, and that's creating quite a challenge for our farmers as they move commodities.

DePue: Well, talk about that in a little bit more detail.

Nelson: But let me finish the last thought on that.

DePue: Okay, I'm sorry.

Nelson: The rail system in Illinois is very important. Right now, we've got \_\_\_\_\_ (??) unit trains that service, for the most part, the cattle feed yards in Texas. And some may think, Well, what's that got to do with Illinois agriculture? Last year, we shipped 120 million bushel of Illinois corn down to Hereford, Texas to feed cattle. So you look at all the elements of infrastructure—Illinois agriculture touches every bit of them.

But going back to your comment about roads, it's been a concern for this organization over the last two or three years that we've been missing out on tapping dollars to go to infrastructure needs right here in Illinois. As many people know, we've had a challenging budget situation the last two or three years. We haven't been able to match the funds that were really directed at Illinois in the last highway bill or in the last transportation bill, and we've watched billions of dollars go to other states because we haven't been able to access those.

DePue: Well, to place this into a timeframe here, since you've mentioned that, I just mentioned that former Governor Blagojevich was just impeached, and part of the ongoing discussion at the legislative level for the last three or four years was never being able to get to that capital development fund.

Nelson: And it's been a major disappointment. We have worked with Senator Durbin to say, What can we do to give some push to the General Assembly here in Illinois to try to put a capital bill

together to try to address that? Because shame on us. The last speaker of the house from Illinois really rolled up the shirt sleeves, and it was a bipartisan effort, to say, “We need dollars in Illinois to address these deteriorating transportation systems.” So we’ve really been at the forefront of that issue, and we’ll continue to push until we are able to address it.

DePue: Where would Illinois Farm Bureau come down on state tax issues? The income tax versus property tax?

Nelson: Well, we’ve been a long proponent of looking at our taxing system here in Illinois. Matter of fact, for the last two decades, Illinois Farm Bureau has said, We’ve got to develop a system to fund education as an example of having less reliance on property taxes. As people grow older, we feel that it’s unfair to keep raising property taxes after their kids have went through the school systems, and there needs to be a better way of equitably funding education. Because really, that’s one of the core issues at(??) the funding issue: how do we increase the foundation level of funding for school districts. How do you address the capital needs of school districts across the state? And we’ve been at the forefront of that. We had the CHIEF program—Change How Illinois Education is Financed—as kind of a main staple of our group for the last two decades. And we’ve looked at various bills along the way. We joined the A+ Coalition, which was a Chicago coalition, to look at changing how we finance education.

So as it relates to the education centerpiece of the funding side, we have said, We need to look at probably raising the income tax and maybe giving some sort of a swap on the property tax system that we have in this state. That was proposed the last couple of years—did not gain enough traction to make it out of committee to have the particular House and Senate voted on it. But going into this session, I think everything is on the table, looking at ways to not only look at the education proponent, but we’ve got to look at the big picture. When we’ve got a budget out of balance, between four and six billion dollars, and that doesn’t even include the unfunded pension liability that we have in this state, we’ve got some challenging issues to address the revenue side as well as the expense side in trying to balance this budget.

DePue: Are you suggesting, then, that the Illinois Farm Bureau would be in favor of an income tax increase, but only if there is a corresponding reduction in property tax rates?

Nelson: Well, I think at this point in time, we’re willing to look at anything that’s going to be discussed. But in the past, historically, I would favor your comment that we would say we’d look at raising the income tax if we could see some property tax relief. Because if you look at the property taxes in this state, they’re some of the highest property taxes of any state in the country. If you look at the income tax, we are not in that situation; we’re actually either in the middle of the pack or even on the lower side of that. So I think that’s why the General Assembly right now is looking at those aspects of trying to put a capital bill together to address the infrastructure, looking at ways to get more revenue—and that might be an income tax; it might be a service tax. All those are basically being discussed behind closed doors as we speak.

DePue: Well, I think when most people in Illinois think about property tax issues, they’re thinking about the home they live in, in Collar County if, you know, the Chicago area, or downstate Illinois. Tell us a little bit about the difference, or what’s going on with property taxes on farmland—prime farmland—versus marginal farmland versus that house that somebody might own.

- Nelson: Well, I will tell you, most of the taxes, categorically, have went up. I mean, I'm a homeowner as well. Those property taxes on our home have went up, just like yours probably have, because of the services that basically you want in your local community. And that deals with everything from your school districts to what goes on in your local unit of government, in the township or the city that you reside. Secondly, on the farmland side of it, as we've watched values of farmland go up over the last, you know, half a dozen years, correspondingly, we've watched those property taxes go up. And you look at—
- DePue: So property tax goes up at the same percentage level that the value goes up?
- Nelson: No. We have what is called the Farmland Assessment Bill in this state, and there's a number of factors that go into that calculation to figure out the corresponding increase, and that deals with everything from the price of the commodity, the price of the farmland, interest rates that are being paid. There's a whole number of factors that go into that portfolio to determine that assessment. The most it can go up in Illinois is 10 percent a year. We've watched that go up 10 percent a year the last couple years. At the same time, if you saw a dramatic drop, the most it could go down would be that. So part of that formula has a cushion built in to keep it from going up 30 percent or down 30 percent all in one year. So it's worked well in this state since we've put it in many years ago, and it tries to give that stabilizing impact to the local taxing units.
- DePue: From your perspective and Farm Bureau's perspective, is that tax burden on prime farmland reasonable?
- Nelson: Well, depends on who you talk to. I will tell you, coming from the northeastern part of the state, we've got farmers that are paying up to sixty dollars an acre just in taxes, where you might get down to southern Illinois, and those taxes will be five to ten dollars an acre, and you've got everybody in between. Where urban sprawl has taken place, and we've had these boom of subdivisions that have been built over the last decade, that's where you see the greatest pressure on property taxes as it relates to farmland. So is it fair? It's probably the most equitable way of calculating taxes that we have seen. It compares very similar to adjacent states as well.
- DePue: I'll put you on the spot here. Some of the discussion right now on tax issues is—currently, what is it, 3.5 percent for income tax?
- Nelson: Three percent.
- DePue: Three percent. To go up to 4 percent. What kind of a percentage reduction would you hope to see corresponding on the property tax side?
- Nelson: Well, we'd like to see maybe 10 to 20 percent, and I'm working off of those figures based on a bill that we looked at last year. But we were also looking at a larger income tax increase if we were going to look at this swap between property taxes and income tax. The 1 percent rise in the state income tax to go from three to four, depending on whose numbers you look at, will be anywhere from 3.5 to four billion dollars' infusion of capital. That would almost plug the state deficit's budget. But having said that, then you ask the question, "What are you going to do to help fund some of the issues in education? Is that going to be a part of that, or does that just stop the bleeding in the budget? So I think in looking at that, they're probably looking at a larger compilation of trying to address the revenue side, *i.e.*, a capital bill to take care of the infrastructure situations that we've talked about. Maybe you look at the state income tax increase as a way to plug the hole, and then maybe there's other things that they'll put on the

table before we get done with this. But I mean, we're all guessing at this point in time, but everybody's looking at budgets. The governor's looking at budgets right now, of cutting the individual agency budgets between now and June, 1 percent, and that will have some budget savings on the line. But agriculture is not going to go through this unscathed, and we've got to figure out what our priorities are as it relates to the Department of Ag budget, and what, as an organization, we'd be willing to put on the table to try to cure some of the problems of the state.

DePue: What is the bureau's relationship with the Department of Agriculture?

Nelson: It's a very good one. We have a very close working relationship with the director and a number of the people in the department. As you can expect, a number of the issues that we work on in our organization touch what they do as an agency, so I think we've had a very longstanding, good relationship. We meet very frequently and very often on a number of the issues we're working on.

DePue: Well, farmers tend to be a rather independent sort of folks. What are their expectations of what they want their state government, through the Department of Agriculture, to be doing for them?

Nelson: Well, I think they want them to be the spokesmen, spokesperson, for agriculture within the governor's office. I mean, that's an appointed position here in this state, so you serve at the pleasure of the governor. And sometimes the governor can come up with some unique positions that might be very contrary to our organization. So I think we want that person to be very articulate and very much in a leadership capacity of making sure the governor understands the importance of agriculture in this state. We're the number-one industry. We have almost a million people in this state who touch some form of agriculture on an annual basis. So it's a big industry, and one that needs to be looked after in the governor's mansion as well as the Department of Ag.

DePue: Oftentimes overlooked—how important is it for the Department of Agriculture to run the State Fair correctly and the County Fair activities as well?

Nelson: Well, that's just one small facet of what the department does. It's kind of the communication, sort of the PR side, of the Department of Ag, but it's far from just the only thing that they do. County fairs have been a long staple of the rich history of our state. I mean, we've got one of the longest-running fairs that we go to and exhibit our livestock at in DeKalb County, the Sandwich Fair—probably the largest county fair in the state, and you see people just love to attend that so they can see what agriculture is doing. And really, the fairs, whether it's a county or state fair, it's really a showcase of agriculture. The Illinois State Fair has had its struggles trying to make money, as well as the one in DuQuoin, but right now, I think you have to look long and hard to figure out what these fairs do as far as providing that service providing that communications, and figure out a way to make them make money, because like anything else, everybody is looking at all avenues to make sure that they're at least budget-neutral as it relates to a state budget item.

DePue: I'm going to change gears for a little bit and get you back into that mode of thinking about running for this office or actually running the office, and put you in the awkward position of bragging about yourself a little bit. What are the skills and attributes you think you bring to the organization—the reason you ran in the first place.

Nelson: Well, as I said before, I think I'm a unique president of this organization, from the standpoint—I was very involved in commodity organizations prior to coming to Illinois Farm

Bureau, and I think that's important, because in this position, you've got to be able to work with people, and you've got to be able to work with organizations. I think I do that, whether it's a soybean organization or a cattle organization or a pork producer organization. You've got to reach across these territorial lines of commodity groups and farm organizations. I think that Farm Bureau, it's strongest asset is the people, so you've got to reach out and work with those people. If it's in the very southern tip of Illinois to the northern tip of Illinois, those are all members of this organization. So I hope we do do a good job communicating, but I hope I also bring the unique leadership attribute of being kind of tested before I walked into this job, and I try to represent the members as best I can in Springfield and Washington, D.C. on the various issues we work on.

DePue: Go back to that initial election, then. I don't know that we have to necessarily name names here, but what margin of victory did you win by?

Nelson: Well, I almost was elected on the first ballot, and on a field of four people, to pull it off on one ballot I think spoke very well.

DePue: You need a majority vote, then?

Nelson: Yes.

DePue: More than a plurality.

Nelson: So we almost won it on ballot one, which I guess—that makes you feel good, that people put that type of trust in you to run the organization.

DePue: Sounds like you did quite a bit of travel, though.

Nelson: It makes you better appreciate what the statewide officeholders in government go through, because you're dealing with everybody from the very southern tip of Illinois to the northern, to the east, to the west. We have eighteen districts in Illinois Farm Bureau, and we made an appearance in every one of those districts, and made our presentation of why we wanted to hold this particular office.

DePue: How did you find time to do that while you're also running a farm?

Nelson: It makes it very difficult, but I'm very fortunate to have a very understanding wife who is not only my best friend but also the partner in the organization that keeps the home fires burning when I'm not there. I have a son who is very active in our farming operation as well, so I'm very fortunate to have that, because you could not serve as the chief executive officer of Illinois Farm Bureau if you don't have a support staff back home.

DePue: Well, that talks quite a bit about the evolution in farming in terms of that relationship between the husband and wife and the roles they play as well.

Nelson: Well, my wife is very engaged in a number of the issues we're working on, but she also has to manage two kids in my absence as well as a couple of employees that we have in our operation. So the farm wife today is just as active as being a partner in farming organizations as the farmer himself, because they do a lot of the marketing, they do a lot of the communication; they're the accountant, the bookkeeper. So I can say on behalf of my wife, she's just as instrumental in this organization as I am.

DePue: Is she then doing the marketing and balancing the books and making financial decisions?



- Nelson: We work together, but she does take the lead role, especially when you get into some of these months of the year where we're very much involved and entrenched in Farm Bureau issues and we do a lot of traveling. She pretty much takes the reins over during those times of year.
- DePue: Talking to other farmers, I've gotten the distinct impression that success or failure oftentimes hinges on market decisions—when do I sell? Can you talk about those kinds of decisions and the challenges—maybe get some specificity to it?
- Nelson: Well, farmers are price takers, not price makers. And I will tell you, this last year was a good example of that. We had corn prices in excess of seven dollars a bushel; then it went into a free fall, and we had corn this last fall when the combines were rolling down to \$2.50. That pendulum swung quite dramatically, and with that, input costs went through the roof. So if farmers did not lock in some of their prices towards the top end of that price opportunity, it really puts you behind the eight ball in trying to remain profitable, because your break-even cost is somewhat in the middle of that pendulum shift, somewhere around four dollars a bushel. And at the same time, you can't control your input price, because those decisions are made in corporate boardrooms by multinational companies, and you're pretty much at the mercy of the market. The one thing you can do in controlling your destiny is try to do a better job of marketing. And we've always had the goal in our farming operation—and a lot of farmers have that same goal—is to be in that top third. You'll never hit the high, and hopefully you'd never hit the low, but you try to figure out where your profit margins are at and try to lock those in respectively.
- DePue: When you're saying "locking in" things, you're talking about grain that's already been harvested that might be stored on your particular farm, or are you talking about corn and soybeans that are in the field that hasn't even been harvested yet?
- Nelson: All of the above. You're talking about farmers that are pricing commodities in some cases two years out that haven't even been put into the ground or even though about, you're talking about farmers that have corn that's in the field growing, and you're talking about farmers that have harvested a crop and may have it in storage. So a time frame or a time window is fairly large in the life of a farmer in trying to manage their risk.
- DePue: And going back to the role of wives, oftentimes, on these family farms, are they watching those commodity prices go up and down as much as the men are?
- Nelson: Yes, they are. And most farmers, through either computers or standalone boxes watch the ticks on a daily basis or hourly basis, and the volatility of the marketplace today is probably as great as it's ever been, and that's why marketing is very important. As a part of our organization here at Illinois Farm Bureau, we started AgriVisor back many years ago as a means to have a set of experts watching and monitoring marketing trends, fundamentals, technicals in the marketplace and trying to give farmers advice on that. We took that to a new level two years ago, the leadership of the board of directors, to make a new marketing service that not only marries that marketing expertise with the markets but it marries it with crop insurance. So a farmer now has the whole ability to try to protect themselves through utilizing risk management products that are out there in crop insurance with a marketing plan to try to pull some of the volatility out of the marketplace and try to ensure a profit.
- DePue: You guys are the ultimate gamblers in American society, then.
- Nelson: Well, we are, because nobody, I think, can see the volatility like a farmer, because not only volatility in the marketplace, but nobody can guarantee you you're going to have a perfect crop

next year, because we rely on God and Mother Nature as to whether you're going to get enough rain at the right time. Last year was a good example in this state: almost a third of our state fell into a dismal start given the facts of the flooding on the western part of the state on the Mississippi, a levee breaking in the southeastern part of the state, and then we had the delayed start in the southern part of the state due to wet weather. So we not only deal with Mother Nature; we deal with the markets, we deal with government intervention that has a dramatic impact on our bottom lines.

DePue: Well, since we'd been talking about markets as well, does your job have an aspect of a lot of overseas travel?

Nelson: We have made the flights and the trips many times to many various destinations. You know, it can be everything with, I guess, going down to South America and visiting with farmers to being a part of the World Trade Organization talks in Geneva, Switzerland, and all of the above. And I think that makes it unique. You know, farmers are farmers, whether they're in central Illinois or in central Costa Rica. They all have that optimism about growing a crop; they have that belief that you're doing something to grow food for people around the world. And given the global climate that we're a part of in production agriculture, we need to recognize where our competition is at, what we could do better here in this country as far as adapting technology as opposed to a farmer in Brazil or in Russia or in Argentina. I mean, we very much, I think, study and watch what farmers in other parts of the world are doing. And being on the American Farm Bureau board of directors, we have a farmer-to-farmer exchange trip once a year to various parts of the world to try to bridge that gap and understand what they're doing.

DePue: You're an ambassador for American farmers when you're doing that?

Nelson: Yes, we are. We not only represent farmers, but we're representing the country in meeting with dignitaries and other ministers of agriculture and such.

DePue: Are there a couple of those trips that are especially memorable that you can talk about?

Nelson: Well, back in the late nineties, I was a part of the American Soybean Association, and at that time, we were trying to reach a deal in the Uruguay round of talks(??), and we were in France, meeting with French farmers about the fact that they were unfairly dumping oilseeds on the world market below the cost of their production and below the cost of our production. And we really reached an impasse, but I had the opportunity to be in France for about a week, and I visited with a number of French farmers and really developed quite a rapport with them. And as a result of that meeting, about two weeks later, we had the infamous Blair House Agreement, which basically said to France, and France said to us, "We need to reach a resolve of not trying to put one farmer or another farmer out of business." And we've had that Blair House Agreement in place for now almost a decade. That's one of the benefits of a world trading organization is you try to resolve these disputes before it really gets too far to the point that one industry or one type of farmer is put out of business because somebody else is not playing really by the same rules.

DePue: I think I understand, but I think I need some more clarification when you say "one type of farmer" going out of business. What type of market forces would cause that to happen?

Nelson: Well, in the case that I just described, they were dropping oilseeds. Say that it cost our oilseed producers—a soybean farmer in this country had break-even costs of six or seven dollars a bushel. They were dropping beans on the market at about three dollars a bushel. Well, you

can't stay in business very long if you get that type of production on the market below you to try to respond to that. You can't change enough in your farming operation to make that happen. A good example of that right here in this state was the bell pepper plant right outside of Decatur. They ran into the same situation. They had a state-of-the-art facility and they were doing very well, but all of the sudden, some peppers started coming in from other countries well below their cost of production, and within six months, they were out of business. So those were some of the tariffs and some of the trade issues that we deal with as an organization.

DePue: What's the clout that the WTO has?

Nelson: Well, we have 136 member countries in that organization. The problem is, you don't have everybody. Russia, as an example, is still not a part of that. The clout is that you try to get the member countries to sit around the table and try to strike some resolve on some of these issues. The unfortunate thing, to try to get 136 countries to agree on something is very difficult, and that's one of the impasses that we've seen in this last round of talks, that we weren't able to get all the agreements. And agriculture is just one piece of those whole trade talks. I mean, you're dealing with technology, you're dealing with pharmaceuticals, and agriculture is certainly one that everybody talks about, but it's not the only one in that particular trade discussion.

DePue: You mentioned you'd been to other countries as well, obviously, in the process of doing this. Anything really strike you when you're comparing how agriculture is done in the United States versus places like France or maybe in some other places you've been?

Nelson: Oh, it's all across the board. During the North American Free Trade Agreement discussions, we were in Mexico two or three times that I recall. And you look at their particular point that those Mexican farmers deal with in raising crops and livestock versus the technology that we have in this country. And I have said it many times, that it's nice to go on those trade trips, it's nice to get to meet other people from other parts of the world, but you just thank God every time when you come back home that there's no better place than where we reside and live right now to have our farming operations. I think the biggest difference that I see is how we respond with technology transfer in this country—and I'll put France in that category, and the United States. They have a lot more resistance to technology than we do as farmers in this country. Part of that is some of the organizations—Greenpeace—biotechnology is a good example where they have resisted that, and some of that has been social pressure by some of these activist organizations, where I think the French farmers see what we do in this country and how we adapt to technology and use that technology, they can't do it because of some of the political and social pressures. That's an example of that.

Mexico, if you look at the way that we raise our livestock as an example, in our country and in our farming operation, versus the dirt lots and some of the sanitary issues that I saw in that particular country, versus where you have the USDA stamp of approval, you see the safety and the biosafety that we put in our particular food value chain, compared to like the Mexicans. I think it's very different. So I'm very proud of the organization and the network and the regulatory framework that we have in this country that produces a safe food supply.

DePue: This is fascinating, because on the drive into work today, I'm listening to something on the news talking about French resistance against Monsanto and genetically modified corn, basically. Is that an example of what you're talking about, then?

- Nelson: Yes. They have long resisted biotechnology, but I will tell you, if you talk to the French farmer, they would like to use the technology, but they're prohibited from doing it to the degree that we accept and use it in this country. There is biotechnology in Europe, in France, but it's not used at near the scale that we use it here.
- DePue: Well, let's get a little specific in the GMOs, especially. What is their objection to the GMOs?
- Nelson: Well, part of this goes back to Greenpeace, that they feel that not enough testing has been done. We, in this country, go through a whole host of regulatory hoops before a genetic event can be introduced into this country. What we need to do is get to a standardization of guidelines and procedures on the international front. The reason I say that—Europe has one set of criteria; Japan has another set of criteria. I served on the very first United States Department of Agriculture Biotechnology Advisory Committee, and at that time, we were dealing with the StarLink episode, where the FDA—the Food and Drug Administration—issued a split registration for food and feed. And that got us in trouble, because you cannot have quite the channeling to eliminate any contamination within the two different aspects.
- DePue: I wonder if you can go, again, a little bit more detail on the StarLink incident. What was really going on there?
- Nelson: Well, first of all, nobody was harmed on this, but it was due to testing protocol, they determined that some of the events that were in that biotechnology corn made it into a food channel. And it was detected early, and we were lucky to pull it out of there. It was supposed to be just used on the feeding side, into livestock, is what it was approved for.
- DePue: Was some of this—again, to get more specifics into it—was some of this a matter of pollen from a GMO field blowing over to another field that wasn't supposed to be GMO?
- Nelson: Yes, it was pollen drift. And whether the setbacks between a non-GMO field and this GMO field that contains StarLink, if those setbacks were not far enough back—or in the case of committee, we were finding out that we were finding pollen drift almost a mile away on a particular contaminated field. So out of that—and this fast-forwards to where the French are going—they're using it as a trade dispute, more than anything, to try to not allow certain crops to get into the marketplace. But they're standing behind some of the political and social aspects of this, where they say that not enough testing has been done. Since that StarLink episode, we have put into place for GMO and non-GMO crops further setbacks to reduce pollen drift. We've also tried to channel certain segments of certain events that may not be approved on the international scene but are approved on the national scene here to try to eliminate some of that contamination of the two different events that are in the marketplace.
- DePue: Are those federal laws, state laws, or agreements among people in the Farm Bureau, for example?
- Nelson: Actually, for the most part, they fall under federal laws and jurisdiction. We, in our organization, try to—we have put the Know Before You Grow campaign front and center stage through our communications efforts, so farmers understand when they buy a certain type of seed or a certain type of event that's in that bag of seed, that they understand the setbacks, the refuge acres that you have to have around those events, before they plant them. So we've learned from some of those beginning situations to where we are today, and I think we're at least managing them better than we did when they first came out.
- DePue: Well, this certainly addresses the complexity that farmers have to deal with today to be successful. Can you get into that discussion?

Nelson: Well, what we're talking about with pollen drift and knowing where you've planted a particular variety that falls under this event, that's just one aspect. The farmer also needs to clean out their spray equipment, they've got to clean out their harvesting equipment, to try to get the purest product that they can off of these particular types of hybrids that they're planning for a particular market. So it's a lot more complicated than I think a lot of people think about, but I think at the end of the day, I think we're managing it far better today than we were a decade ago.

DePue: We might run out of time in talking about this, but I wanted to address kind of the parallel dilemma when you get into livestock, and marketing hogs and cattle in places like the Japanese and the Korean market currently, and I'm especially thinking about mad cow disease and some of the other issues that have really bit the livestock industry here lately.

Nelson: Well, we've had our share of challenges since "the cow that stole Christmas," so to speak—and that happened to be the year that I came in as president of this organization, when they found that infected cow in Washington State and were talking about mad cow disease. The ironic thing has been—and I think this is an important point people need to understand—is even though we've had a half a dozen issues with mad cow disease in this country, we have found those particular cattle at the rendering aspect of the food chain, which means, in essence, none of this got into the food supply. So I think that's issue number one.

Issue number two is how do we prospectively go forward in trying to make sure that we can ensure a safe food supply and at the same time, address the international trading market that we ship a lot of cattle and hogs and poultry to other aspects of this world? And that's where your Japan and Korea situation comes in. We have tried to, as an organization, impress upon our members that we have to do something to make sure that we can ensure that safe food supply, that we can do it in a short order—if a particular suspect animal is found, that we can shut that down, get to the true source of where that animal came from, to ensure that food supply. So we've went through premises ID, identification of livestock; we've went through the whole national mantra of trying to get those prem IDs or a national identification system.

That has caused some angst in the ag community, to say the least, because people have some fears as to where that information, whether it's your premises or my neighbor's premises, where that information ends up, and can it be used against you at some point in time? There's a lot of privacy issues involved here. So we've heard from the country side, I think everyone wants to have a safe food supply; it's a matter of how much information they want to divulge to Big Brother, whether it's at the state Department of Agriculture or at the United States department. But Illinois is not an island on this; it's caused quite the uproar, you might say, nationwide. But our biggest fear is God forbid we don't have a breakout of a disease in any form of livestock as we're going through this discussion of trying to get to where we need to be.

DePue: So if I'm hearing you correctly, you're saying that the Illinois Farm Bureau was in favor of fairly strict traceability kind of legislation, so you know where that hog is born, all the way through butchering.

Nelson: Well, we have been in favor of a voluntary method of that, and by that, we're saying as an organization, our producers keep good records. When the hogs are harvested at a particular packing plant, they have to be ID'd as to what farm they came off of. Really, hogs are almost there at 100 percent right now. The problem we get into is the cow-calf producer and the sale barn, and that's a larger chain of people that you're involved with. But I will say we are for a

safe food supply, and we have supported a number of the measures as trying to make sure we maintain that, but the problem we get into from our membership's perspective as to who controls the information that is required and who has access to that information.

DePue: Back to that stubborn, independent farmer spirit, huh?

Nelson: (laughs) Well, I will say part of the resistance, I think, has improved the process. There have been things that have been talked about through this whole premises ID process that has put in safeguards and protections of what is FOI-able and what is not. So that, I think, has—

DePue: “FOI-able” meaning...?

Nelson: Meaning Freedom of Information, where a person, such as yourself, could get on a computer and find out who has what livestock, how many head of livestock, where are they located, that sort of thing. So we I think have achieved some good safeguards in the process of having this discussion. The bad part about the whole process has been it's taken an awful long time, because as you recall, a year ago, our director of ag—our previous director of ag—wanted to mandate any 4-H or FFA kid that showed at the State Fair had to have a premises ID number. Well, that caused a lot of ruckus in the communities across this state and a number of phone calls that came right into this office in regards to that stipulation. It is not a mandatory program and has not been, but some people viewed it as a mandate. Even the secretary of agriculture at the federal level has said, “No, this is a voluntary program.” So that's where we're at right now in that, I would say, somewhat controversial issue.

DePue: Okay, well that's exactly why I like to ask about it. This is the time where we need to take a quick break, and we'll come right back at it and talk more about the farm bureau in terms of other aspects of the organization.

Nelson: Okay.

(pause in recording)

DePue: Well, that was a very quick break. What we wanted to do now again was shift gears and talk about the history, if you will, of the Illinois Farm Bureau.

Nelson: Well, we go back about ninety years ago when really a group of farmers in Tazewell County decided to get together to work on some of the issues back then where they thought by forming a state organization—or a county organization at that time, which led into a state organization—they would be more effective than trying to just go it alone as an individual. So really, ninety years ago, we basically formed the Illinois Farm Bureau, and out of that grew not only the Farm Bureau as we know it, but a number of affiliated companies.

And we're kind of unique as a farm organization, because back then, a lot of farmers were having trouble being able to attract insurance carriers to insure their vehicles or their livestock or their farms, so out of that grew Country Companies Insurance. Today we call it COUNTRY Financial, where we still provide what we think is affordable insurance to our farmer clients as well as our city cousins. At that time, through the evolution of that ninety-plus-year period, there were problems focused on trying to get services and supplies to farmers, *i.e.*, fuel, and out of that came the GROWMARK System or the Farm Supply System. Today we call it GROWMARK. Also under the farm bureau of Illinois Farm Bureau, there were challenges as far as marketing dairy products. And probably one of the most successful ventures that we have been a part of for a long period of time has been Prairie Farms Dairy, that not only do we have 800-some dairy producers that are part of that co-op, but they take it

one step farther, and they market the products, and they've been very successful from a profitability standpoint, with still today, a group of farmers that operate that board of directors, trying to improve their bottom line. And last but not least, we have an affiliate that looks after audit procedures, of auditing not only our county farm bureaus but a number of the GROWMARK elevators; that's the Illinois Agriculture Auditing Association. All of those particular ventures or those affiliates are under the umbrella of Illinois Agriculture Association, commonly known as the Illinois Farm Bureau.

DePue: I kind of want to take a closer view of each one of these, if we could. The COUNTRY Financial and the insurance side. I'm curious of why other insurance companies weren't willing to step in long ago and service the farming community.

Nelson: Well, this predates me, but going back seventy-five-plus years ago, when Country Companies at that time was created, there were a number of particular situations as it related to rural communities, particularly farmers, whether it was crop insurance, whether it was building insurance, whether it was life insurance, health insurance. Go back that amount of time period, there wasn't near the type of structure and number of companies that we have today that try to service those. I think and over time, we've addressed not only what the farmer wanted but what the local communities want, and that's why I think we've been successful. We've grown that one-state operation that started because services weren't being met in the particular areas of the state of Illinois to now, COUNTRY Financial is in forty different states, servicing for the most part people that we do business with best, and that's the rural people, but we now have also gravitated into some of the larger urban markets as well.

DePue: Does that include life, auto, health insurance?

Nelson: We dropped the health insurance line about half a dozen years ago. We just were having more and more challenges to try to keep the rates attractive at the same time to compete against some of the larger providers, and we exited out of that, and basically another carrier provides the health insurance.

DePue: But that's one of the critical areas. For a farmer, if they don't have some other employment that has a health policy attached to it, that can be incredibly expensive, can't it, to get their own health insurance?

Nelson: It can be. We've dealt with that issue for a number of years, that farmers are self-employed, that they do pay their own health insurance, and as our farmers' ages continue to creep up—the average age of a farmer today is about fifty-seven years of age—and as you get older, the demands on health insurance needs go higher. We were very concerned when we exited that, but we exited to the largest provider in the state of Illinois. We have an agreement with them, and they've been able to provide that at much more affordable rates than what we were able to when we had to close our shop.

DePue: Who is that?

Nelson: Blue Cross, Blue Shield.

DePue: Okay. Tell me a little more about the crop insurance side, because I thought that was actually an aspect that the federal government provides.

Nelson: It is, but we are a carrier of that. We have fifteen regional crop specialists across the state for COUNTRY Financial that really works with farmers and their local agent at the local level to

- help a farmer decide what type, what level, what kind of crop insurance they may need to manage their price risk as well as their marketing risk.
- DePue: Well, to put you on the spot here, let's personalize it if we can. What kind of crop insurance do you have on your corn and soybeans?
- Nelson: Well, in our farming operation this last year, we took a 75 percent level of revenue coverage—revenue assurance, they call it, RA—and that would protect us against 75 percent—it would put a floor in—75 percent of what our adjusted yield is on an annual basis. Unfortunately, last year, for the most part, we raised just enough corn, and the prices were just good enough, that it didn't kick in. But you don't buy insurance to make money; you buy it to protect yourself.
- DePue: What's the mechanism, though, in terms of buying that insurance? You're saying 75 percent of the yield, and then you've got to factor in the market side of the equation, do you not?
- Nelson: Yes, and part of the revenue coverage on this particular product is based off of a crop price—and we had a fall harvest option. These are very complicated projects. (laughter) But anyway, there's a fall harvest option, so that price is triggered then in regards to not only the fall, but what the price was set in the spring of the year, come March—for this year.
- DePue: Why is this a federal program rather than some of the other classic insurance policies? Why does the federal government need to be involved in crop insurance?
- Nelson: Well, traditionally, there is a certain amount of crop insurance nationwide that is underwritten as part of the farm bill, as a means of trying to protect farmers from catastrophic losses. And part of the hitch to a farm program or farm bill is the government feels that as farmers, you ought to at least protect yourself to a degree before you can participate in these programs. So it's been kind of the adjoining of crop insurance with farm programs over a period of time that said, "If we're going to help you on a catastrophic event, you need to have some skin in the game, so to speak, to have crop insurance." Ironically, if you look at the three big I's—Iowa, Illinois, and Indiana—we are net losers on crop insurance. The major crop insurance claims are paid in the South and the West in this country, but we pay some of the biggest premiums. But the way I look at it is you also have high-value crops today, where you're trying to at least protect yourself from a huge price catastrophe or yield catastrophe, in the event that you have a drought or a hailstorm or something like that.
- DePue: So oftentimes, the collector—orange growers or that got vegetable operations, where they get a frost at the wrong time, or something happens?
- Nelson: Or out in the Great Plains where they don't get rain, and they may put a wheat crop in and it dies, or you get down in the South—cotton crops, rice crops. There's a lot more volatility. And from an actuary's standpoint, it's a lot easier to grow corn and soybeans in Iowa, Illinois, and Indiana, given our soils and the average rainfall that we normally receive.
- DePue: As we go through these, I'd like to have you address the specific relationship between the Farm Bureau and each one of these organizations. So let's start with COUNTRY Financial—in terms of your position, especially.
- Nelson: Okay. Well, I'm president and chairman of the board of directors at COUNTRY Financial. Our boards are very much the same from the Farm Bureau side to COUNTRY Financial, with the exception that we do have an outside director. That is rotated amongst people that we think bring a unique experience to the board, to look a little bit outside of the box of what we bring to the board. But it's a board of directors of twenty people—the eighteen districts plus the



president and the vice president. Farm Bureau, then, for the most part is, you might say, the beneficiary of COUNTRY Financial. We use some of the resources of COUNTRY Financial to carry out some of the services in Illinois Farm Bureau. So one of our oldest affiliates and very prosperous affiliates that we have in our portfolio.

DePue: Okay, so people in Iowa and Indiana are also helping to fund Illinois Farm Bureau operation to a certain extent?

Nelson: No, not really, because the operations in Illinois are the only ones that are designated internally; the other just goes to the surplus of the organization.

DePue: Let's go next to GROWMARK. What did that start out as?

Nelson: Well, as Farm Supply. And really, that started in Illinois, and then it grew to Iowa and Wisconsin and now has branched into other states, as well as into Canada. So it's a fairly large farm supply organization or farm service organization.

DePue: And you mentioned it started primarily supplying fuel for farmers. Is that still the case?

Nelson: Yes. They very much not only deal with fuel but fertilizer. A lot of inputs that the farmers use, myself included, are purchased from one of the GROWMARK member companies out in your local area.

DePue: Herbicide and pesticide?

Nelson: Yes. And they've got into a number of the crop inputs, and they service home heating oil as well, too. So it's a fairly rounded service organization for agriculture inputs.

DePue: Well, as we're driving across Illinois sometimes, you get the right time of the year, you see crop dusters out there. Is that an aspect of GROWMARK as well?

Nelson: Yes, it is. They don't own any of those planes, but they contract with crop dusters that put fungicides on corn or pesticides on any various aspect of a disease problem that is focusing on crop production.

DePue: So what we've just discussed is a huge business in and of itself, is it not?

Nelson: It is, and I think we're fairly unique, because I think we, in our organization in the past, they've always had leadership that has said, "Okay, if we can't find this by somebody else doing it," they've always rolled up the shirt sleeves and said, "Maybe we can do it internally." And that's why you've gotten Agrivisor, LLC, that's why we started GROWMARK, that's why we have COUNTRY Financial, that's why we have Prairie Farms Dairies and IAAA on the auditing side.

DePue: And your particular relationship with GROWMARK?

Nelson: I am a member of the coordinating committee of GROWMARK. I dialogue with their chief executive officer from time to time and their chairman of the board, so we have a very close relationship, and also, part of our building complex here is where their headquarters is housed.

DePue: But that's quite distinct from your relationship you have with COUNTRY Financial.

Nelson: Yes. You know, it started out that way, and they've grown over time. You might say the young kid back then grew up to be an adult, and they've done things on their own, but I'd like to think that we're still very close as a family. We work very closely. AgriVisor, LLC is a joint venture

with them. They use their MITCO(??) Commodities as well as our old AgriVisor and merged those two together. So it's a joint venture, but at the same time, they're still part of the family.

DePue: Well, I'll tell you a secret. When I came to the building one time and was asking for you, a couple of them didn't recognize your name, so maybe they are rather distinctive in their own respect. I'm wondering why that's the case. Why that different relationship from COUNTRY Financial?

Nelson: Well, first of all, we have two separate boards of directors. We do have an interlocking board member on GROWMARK—

DePue: But it didn't start that way, did it?

Nelson: No. Years ago, it was one and the same, but then as they gravitated and they went outside of the state, and they put board members on from Iowa and from Wisconsin, and as it grew over time—still the majority of the board members of GROWMARK still reside in Illinois—but they have somebody from Ontario, they have a couple from Iowa and a couple from Wisconsin, and now they've actually grown their organization out East, so they have various zones and regions of which they have board members from. So yeah, out of the outgrowth, where it started as the same, grew the need, really, to get more dedication and time allocation and direction. You can't be everything to everybody, and we have a fairly large organization the way that it is. And to be honest, I don't think today, one board could service everything that we do.

DePue: Prairie Farm. Let's talk a little bit about the origins of Prairie Farm and where they have evolved today.

Nelson: Well, it's probably one of the larger dairy co-ops in the country, but it started right here in Illinois. A guy by the name of Fletcher Gourley was the first CEO, and they started, you might say, almost a mom-and-pop shop, where a group of dairy farmers wanted to do something more than just milk the cows and grow the milk, so to speak; they wanted to have a marketing mechanism. Out of that, the vision and that board of directors at that time grew the organization to not only service Illinois. Now it services—I don't know how many states we're in, but it's a number of them—and has become very successful. And as a co-op, I think the thing that really separates Prairie Farms from others is they receive a fairly handsome patronage refund at the end of the year based on the results or the operating results of Prairie Farms as an organization. So it's been very successful. Farmers love the organization from the standpoint of what it does for them and help them market their product.

DePue: When you say co-op, I assume you mean that the original dairy farmers own a piece of that company, then.

Nelson: That is correct.

DePue: Is this in Wisconsin and Minnesota, some of these other major dairy-producing states.

Nelson: We don't have that big a footprint in Wisconsin. We're in Michigan, we're in Kentucky, we're in Tennessee, we're in Illinois. We also market through some other joint ventures with other co-ops, too, outside of Illinois. So we're very fortunate to I think have, I think, a pretty efficient and effective marketing structure. But the chief executive officer in their main headquarters is housed at Carlinville, Illinois, but Ed Mullins, who's the CEO, and I have a very good rapport and very close working relationship.

Philip Nelson

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- DePue: We've already talked about your role in COUNTRY Financial and in GROWMARK. What's the specific relationship with Prairie Farms?
- Nelson: Well, they report to our service company board, so we approve their management budgets, the capital budgets, and I work in the—along with the hiring of their CEO and setting his salary with their board of directors, we also have an interlocking board member on that particular board as well. So we have feedback in all of these organizations that comes back into our board room to know what is going on and keep abreast of what they're doing.
- DePue: Well, as we talk about this, I'm more and more amazed that you're able to keep a farm going at the same time you're wearing all of these other hats now that we've been describing.
- Nelson: Well, technology helps you do that, whether it's text messaging or being on a cell phone or videoconferencing. The president of Illinois Farm Bureau, whoever it is, it's a full-time job of juggling time and, you know, with the various organizations as well as being attentive to everything that's going on in Illinois Farm Bureau.
- DePue: What other organizations do we need to talk about that are under the umbrella?
- Nelson: Well, Illinois Soybean Organization and Illinois Corn operate under an operating agreement with the Illinois Farm Bureau, which makes it very good for the employees, because they operate under our same umbrella, so those employees can move back and forth seamlessly within our organization, if they want to work for COUNTRY Financial or Illinois Farm Bureau, and then maybe go back to Illinois Soybeans or Illinois Corn. Those two organizations started in this building, and they have now grown of age. They have about a dozen employees each in their respective organizations. But we have a very good and close working relationship with both of those organizations as well.
- DePue: Is there a credit union or a financial element that's associated with the Illinois Farm Bureau?
- Nelson: Yes, we have the IAA Credit Union. You know, amongst the family of companies, whether that be GROWMARK and COUNTRY or Illinois farm bureau, they're able to utilize the services of the financial aspect through the credit union, whether that's taking out a loan for their house, or credit cards. It's become quite a large organization, as well.
- DePue: IAA, standing for...?
- Nelson: Illinois Agriculture Association.
- DePue: What percentage of your farmers who are members oftentimes get credit through one of these credit unions?
- Nelson: From the farmer side, not many. It's more or less for the employees. But we do have farmers that utilize the credit card services, and a few of them will, from time to time, especially if they're close to the Bloomington location here, but for the most part, no. I would say most of the farmers do not take loans out from the IAA credit union.
- DePue: What's your relationship with IAA then? Your particular relationship?
- Nelson: With the IAA?
- DePue: Yeah.
- Nelson: That is us. Illinois Agriculture Association is the umbrella for everybody. That's the umbrella for the family of companies. It also is the Illinois Farm Bureau. The two are the same.

Philip Nelson

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- DePue: So I'm confusing it when I say the credit union and the IAA are the same thing; it's the IAA Credit Union?
- Nelson: Right, right. That's another distinct division of the organization.
- DePue: And what's your specific relationship with the IAA Credit Union, then?
- Nelson: Well, basically, I operate and work with the head of that credit union as kind of a member of the service company—he reports to the service company board, and we monitor that. It's really more of a function of COUNTRY Financial's management right now. That changed a little bit here in the last couple of years.
- DePue: Philip, what else have we missed that you want to talk about, in terms of the overall organization?
- Nelson: Probably the one aspect we haven't talked about is the IAA Foundation, and that really came as a result of a couple of things. Number one was telling the story of agriculture to our youth. The Illinois Ag in the Classroom program was really started by Secretary John Block, who is a member of our organization, when he was ag secretary. And that was his idea. When he, under the Reagan administration, started that particular project, we started a foundation about the same time, and we fund our Ag in the Classroom program through that. We raise funds during the course of the year for various activities that we carry out, but we think it's very important to tell that story, and we have a number of agribusinesses and commodity groups that help us do that. But that is housed in Illinois Farm Bureau, as well.
- DePue: When you say "to tell that story," are you talking about the story of the Illinois Farm Bureau or the story of the Illinois farmer?
- Nelson: Telling the story of the Illinois farmer and Illinois and American agriculture. And we do that to third- and fourth-graders. We think we've got the premier Ag in the Classroom program in the whole country. We've got a very good outreach with coordinators. I guess under my leadership, two years ago, we brought the other Ag in the Classroom organization under umbrella, so now we call it the Illinois Ag in the Classroom Organization. And with that, we're able to provide grants back to our local communities for our coordinator. We're able to provide materials. Last year, we trained 1,200 teachers through this particular program, and we've got really a set of curriculum materials that they could teach a whole unit just on the neat things that are going on in production agriculture. So our third- and fourth-graders across this state are exposed to that element.
- DePue: Well, this might be one of those times, then, that we can mention that the seventy-some interviews—the interviews that we've done as part of this project, yours being one of those seventy—have perfect application to what you're trying to achieve as well, then.
- Nelson: No doubt about it, because I think if we've learned one thing over time, is we get so involved on the production side, the marketing side of agriculture, and as we have had generation after generation become further removed from farming, it's even more important to tell that story so that that consumer understands not only where their food came from, how it was produced, the transportation system that was involved in getting that particular piece of food to that grocery store that they purchase, but so that they're aware of all of the aspects of food production that takes place right here in the state of Illinois. We think we are unique in that aspect, from the standpoint of trying to hook the consumer right with the producer to understand that whole story.

Philip Nelson

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DePue: You mentioned this very briefly in our first session today, but tell me why you got in the business of radio broadcasting. RFD—what's it stand for, in the first place?

Nelson: Well, RFD is basically just the short acronym of Rural Farm Delivery, but we're not really Rural Farm Delivery anymore; we broadcast into some of the major networks right here in the state. And that really came about of trying to help the local farm broadcaster hook into a centralized network that we have right here, coming out of this shop. So we really provide programming to a number of farm broadcasters across the state. We've got a fairly large network of station scattered around the whole state of Illinois to try to make sure and maintain farm programming into those particular stations.

DePue: What particularly would be the nature of the farm programming?

Nelson: Well, it would be everything from—you'd talk about food safety, farm bill, farm policy, events that happened on Capitol Hill. The stimulus package is a good example—what does that mean to agriculture? We tried to break that down into a farm-bite size so that people will understand the importance in its aspect of agriculture.

DePue: Are you producing a half an hour show or a five-minute spot? Exactly how is that happening?

Nelson: A little bit of both. We do targeted spots as well as half-hour programming, and that really depends on the local station. It seems like anymore, people are changing. Instead of the traditional half-hour or hour programs, now they like the short, concise little sound bites of thirty seconds or a minute—just little updates from time to time. So we do a little bit of all of that.

DePue: Are there market reports?

Nelson: Yes, they are. And really, you go back to when we started this. That was one of the main—before all of the technology that we have today with computers and Blackberrys and such where farmers can get their Farm Week Mobile on their cell phone and that sort of thing, which we provide—but when we started RFD radio, that was the means for farmers to find out the latest and greatest of what was going on in the marketplace. We still do that, but it's much more detailed today with issues and relevant happenings on an hourly or whatever basis.

DePue: Well, I know you're aware that we spent quite a few hours interviewing Orion Samuelson, WGN, and he and Max Armstrong have been doing that—Orion's been doing it for close to fifty years; Max's been there for thirty. What's different from what RFD is doing versus what, you know, commercial stations are doing?

Nelson: Well, I'd say we do the same thing, but the difference is we probably have more network affiliates than what they have with their superstation. And I think the biggest difference is their one of the few remaining farm broadcasters in a major metropolitan city, and I think their goal is to try to keep that Chicago area consumer at least engaged in what farming is about or what agriculture is about, whether it's certain things and events that happen, and bring those home to agriculture. And they're fairly well-respected in that area, that they have that large audience in Chicago to try to tell that story. I mean, we've been on their show many times and consider them very good friends, but they have a little different audience than what we have downstate Illinois.

DePue: So what you're doing, you're packaging things for all these local radio stations to play.

Nelson: Yes, it—

DePue: Is that strictly for Illinois, or does it go beyond the boundaries of Illinois?

Nelson: For the most part, we're just strictly Illinois. I mean, we might have some outside fringes, because frequency—when you get on the edges of the state, we'll be in other states, but for the most part, we market it in Illinois only.

DePue: We talked about this a little bit, but can you address just a little bit more about the nature of your lobbying efforts at the state level, for example. Do you have a relationship with a lobbying firm in Springfield?

Nelson: No, we have our own. We have three registered, full-time lobbyists that work down there on a daily basis when the General Assembly is in. Myself, as president of this organization goes down when need be. We meet with the various leaders—the speaker of the house, the president of the senate, the governor. As we go through some of these issues that we talked about here today, there's certain times you do have to be there face to face to present your agenda. But we have three full-time people that that's what they do in Springfield on a daily basis.

DePue: Can you think of any legislators in either the House or the Senate who you turn to, especially to champion some of the issues for agriculture?

Nelson: Well, what's interesting about the General Assembly, some of our go-to guys have passed on or retired, so you have to continue to work and network those people that are elected into those positions. But—

DePue: I would suspect Chuck Hartke was one of those when he was in the legislature.

Nelson: Yes, and then became director of ag. I think of Vince Demuzio—the late Vince Demuzio was another one we went to. Frank Watson, who basically was the Senate minority leader, who's just retiring. But a lot of good new people in those positions. John Sullivan, from the western part of the state, he was the Senate ag chair last year. We now have a new Senate ag chair, Mike Frerichs, from Champaign. So you know, you have to change with the times is what I'm trying to say. We have different players in different positions almost every year.

DePue: Were there some or are there some legislators that you've had a more prickly relationship with?

Nelson: You know, I can't say that we've had a standoff relationship. We've always figured out a way to work with them—even our previous governor. At times, we needed to be there and to work with him on various ag issues. I think that's what makes this organization what it is today. We figure out a way to work with people on both sides of the aisles and really in any elected position, because they're elected there to do their job, and we're elected, vice versa, from our constituents and our membership to do the same.

DePue: Most of your tenure as president has been during Blagojevich's administration, I think, but you've been affiliated with Farm Bureau long before that. Relationship with previous governors, I would think especially Edgar and Ryan, in your lifetime at least, and perhaps Thompson as well. Any stand out in one way or another?

Nelson: That's a good question. I think—

DePue: Kind of put you on the spot here.

Nelson: I think they're all different. I probably got my first start with Governor Thompson. I was involved in the Soybean Association when he was governor. Governor Edgar, we certainly as a county president worked with him quite closely on the chief program(?), the education

funding. We were within a whisker of trying to get a particular piece of legislation through at that time and came up short. I think of Governor Ryan—his Illinois FIRST program that put a lot of dollars into infrastructure across the state. I think that that was positive. I think we had a good rapport with him. And Governor Blagojevich, we had our challenges with him, but when we were experiencing a drought back a few years ago, and some of the catastrophes that we had in the state, we were able to work with him on them.

DePue: Well, Governor Blagojevich is out of office now, so can you talk about the nature of the challenges you had with him?

Nelson: Well, I think part of it was that some of the things that he threw at the General Assembly. Our organization was opposed to the gross receipts tax. We felt that that was going to drive business out of our state as well as harm agriculture. And we also had an issue as related to the sales tax on inputs. And I think once, he was looking at it or his budget director was looking at it, strictly as a way to really tap resources and revenue in this state, and we had to bring across the concerns that we had and its impact on agriculture. And at the end of the day, both of those were removed, so we felt good from the standpoint that we were able to communicate and dialogue with members of the General Assembly and the governor's office about how dramatic an impact it would have on our industry.

DePue: Some people have often made the analogy that Illinois is really two states—it's Chicago, and it's downstate—and that there are distinct agendas in those two states if you will, and historically, Chicago has controlled the agenda. Do you find that an issue you have to grapple with, that that's a struggle to get past Chicago's interests to get yours elevated?

Nelson: Well, I don't think it's any more of a struggle than what it's been in the past, and I also view that as opportunity. We have one of the largest food manufacturing corridors in the world in Chicago, and when I came into this position as president, I created a new position called the director of external relations, and that person is dedicated strictly to try to interface with these food companies, whether it's Chicago, whether it's the St. Louis area, and trying to bridge that gap. Also when I came here as president for the first time we sat down with Mayor Daley face-to-face and said, "We've got a lot to offer as a farm organization in this state and working with you as mayor." The food manufacturing corridor is a good example. And what struck me out of that first initial conversation with the mayor was, he understood the impact of agriculture, and the fact that it was the number-one industry in this state and that the two of us needed to work together. So consequently, we have been involved with the mayor's office on a number of projects, whether it's been trying to get more ag schools in Chicago—I mean, you've got probably the most premier ag high school in the whole country in the Chicago ag high school, and the mayor would like to have two more of those in Chicago to help teach kids about agriculture. So I think there is a way we can work together, and who knows. If we get the Olympic bid coming up, maybe agriculture will be at the table at that.

DePue: What has been the issue that's most surprised you, or maybe the issue that's been most contentious since you've been in the office?

Nelson: Well, I'd say a couple, and I don't know if I want down(??). When we found the mad cow, and how we handled that as an organization to try to instill consumer confidence back in the food chain—because if you recall, when that happened, we had a dramatic impact on beef prices in this country. They fell out a bit.

- DePue: I would think most of this is kind of out of your control. The mad cow certainly wasn't discovered here in Illinois, but—
- Nelson: No, but it did, I think, ramp up our communication effort to get that word out. You know, we have a lot of power in the media right here in this state, with the Chicago media, downstate media, to make sure we get the right facts and story out there, that emotion doesn't run rampant. That probably was one. And then I would say probably the other one would be fending off some of the challenges that we've had in Springfield as it relates to state budget and the impact on our members' bottom lines.
- DePue: And again, your specific concerns about the state budget?
- Nelson: Well, it would go back to really a number of the issues: the sales tax on the inputs, the GRT, as examples. We still have, I think, a concern as an organization that we've shrunk the Department of Agriculture, that we need to make sure that we keep a main priority on that particular division down there. So those would be, I guess, a few of the challenges, if you're talking challenges. But probably—most recently this last year, watching the roller coaster ride of \$7.50, eight dollar corn go down to \$2.50 at the same time we saw our inputs go through the roof, and we saw the grocers' manufacturers come after farmers for the first time ever and saying, "The reason that we've had to raise our price on a box of cereal is because the price of ethanol," which we now know is not true, because they haven't lowered their prices, and the price of corn is about 60 percent less than it was at the high of the market. So those are just a few of the examples that we've dealt with, I guess, during my presidency.
- DePue: Have you fielded, over the years, heated phone calls from local farmers about traceability issues?
- Nelson: Yeah, I have. There's not a day that goes by that you don't hear something, whether it's just as you said, premises ID or an animal ID issue. I hear from farmers when basis levels—the difference between the futures price and the cash price—get at abnormally wide levels. Case in point, as we're signing up for a new farm bill, problems at the local level, you'll get those phone calls to say, Did you know that in such-and-such a county, this is going on? So being the leader of a farm organization in a state as large as Illinois can be very unwielding(??) at times with phone calls that come in, and the issues cover the whole gamut.
- DePue: Well, let's talk a little more about food versus fuel, that whole debate, because as you mentioned, that certainly has been the forefront of our discussion for the last year and a half or so.
- Nelson: Actually, I'd expand it to food versus feed versus fuel, because we not only heard it from consumers when we had four-dollar-a-gallon gasoline, Was this because this happened? We heard it from livestock producers, who when they start looking at six- and seven-dollar corn and 400-dollar-a-ton bean meal, Was this because of ethanol? And then you heard it on the fuel side as we saw four-dollar gasoline. So it really was quite the dilemma that we faced. And what happened really was it was a number of things that factored in all at the same time. You had petroleum prices, which—commodity prices tend to track petroleum prices—they have historically. And you saw a major impact of index funds, speculators that got into the marketplace that thought this thing was going to the moon.
- DePue: "This thing" being...?
- Nelson: Petroleum. And—



DePue: And with it—

Nelson: And corn prices were carried with it. At the same time, the Bush administration raised the renewable fuel standard from 7.5 billion gallons to fifteen billion gallons for corn-based ethanol. So you had all these factors or all these stars came into alignment at the same time. So you had ethanol plants being built; they couldn't build them fast enough. You saw petroleum or crude oil prices reach almost 150 dollars a barrel. And at the same time, the speculative market started pulling their money out of precious metals and investing it in petroleum or corn, thinking that we were going to keep this thing going higher and higher. So that volatility caused some heartburn amongst consumers as they saw grocery prices go up, *i.e.*, a box of Corn Flakes, but they did not understand with even with that box of Corn Flakes costing four dollars, there was only about a dime of actual corn involved in that.

What really happened, when you do a postmortem of this whole dramatic increase, it was the energy that was driving most all of this. When you had four-dollar-a-gallon gasoline, 150-dollar-a-barrel crude, that was probably the major culprit amongst the whole value chain, people focused in and attacked ethanol, of all things, as being the root of the cause of this. And having said that, I think the other thing that was a little undaunting(??) on this—and we still stand by it today—is we don't have a comprehensive energy policy in this country, and you get that volatility that creeps into this—and the farmers not only saw it on what they were paying for gas and diesel fuel, they saw what happened in the fertilizer. We had fertilizer prices go from 400-dollar-a-ton anhydrous to 1,200-dollar-a-ton. And in pure, simplistic terms, that's forty to fifty dollars an acre more of production cost just in nitrogen that they were having to absorb. So farmers felt it; consumers felt it. And then the exodus of the index funds, the collapse of crude oil, and now, today, as we're looking here in February, where we have a glut of crude oil, you're watching all of these things kind of hem-haw around, and you've got the price of corn down to about \$3.30 a bushel off of a high of \$7.50 a bushel.

DePue: Was the Farm Bureau in favor of this dramatic expansion of ethanol production?

Nelson: We have said all along that we need a comprehensive energy policy. Of that, we think renewables can play a very important part. And that's not just ethanol; it's biodiesel, it's wind energy—all of the above. And having said that, yes, we think that we can not only produce food in this country, given our technology and our production efficiency, we can produce for the livestock producer as well as the fuel component of this. We look at our counterparts in South America. I mean, it took them ten years, but they got to almost self-sufficiency in Brazil as it relates to a comprehensive energy policy, that a major component of that is renewable fuels—ethanol.

DePue: Ethanol from sugar can in their case.

Nelson: Right, and not corn-based as we see it in this country. But we think there is still a bright future in ethanol. We think there's a bright future in renewables. There's been a lot of attention focused on cellulose-based ethanol, but we still believe there's a number of hurdles, just like we had with corn-based ethanol, to overcome before we get there.

DePue: There's a lot of different directions we can go when we're into this ethanol discussion. Let me start with this one, since we just mentioned South America. What do you say to those who argue that producing ethanol from corn is much less efficient than producing ethanol from sugar cane? And then you get into the discussion about, Well, we're subsidizing this, because

we're placing tax breaks for our ethanol production here, while we're also putting tariffs on foreign ethanol coming in.

Nelson: Well, I think in the very near future, we will see the efficiency of ethanol grow. I think that—

DePue: Corn-based ethanol?

Nelson: Yes. Corn as well as cellulosic. Right now, you can produce it for about a buck and a half a gallon. Cellulose-based ethanol is about six dollars a gallon, and it's not there for a number of reasons. And I think as we've thrown research dollars at ethanol, it will continue to get better. Case in point: the water usage of ethanol. Back ten years ago, we used to use seven or eight gallons of water to make one gallon of ethanol. Today, that number is about three, and part of that three now is being recycled and reused many times over as you produce ethanol. The same will be, I think, true for the next decade as it relates to cellulose, but we've got to overcome the transportation hurdles with cellulose-based ethanol. You can only move a bulk commodity as bulky as that may be—and that's everything from stover coming off of corn to trees or whatever—you cannot transport that very far, and you've got to have a storage area to dry that stuff before you can start the process, unless we change the process of how we make cellulose-based ethanol. So those are a few hurdles to overcome.

As it relates to the subsidy or the tax credits that we have for ethanol, really, I think we have to look at this as a growing industry that—usually when you start anything, and I think cellulose-based ethanol will be the same, there is going to be some sort of tax credit to get that up and running. And I think at some point in time, as we have seen in the last year, those tax credits will slowly disappear as the industry gets its feet on the ground. Consequently, though, given the price of corn that went up to those high levels, we've had a lot of ethanol plants that are now in bankruptcy because they didn't have the corn bought before the escalation in price. And you can't make ethanol when corn is seven dollars a bushel and make it efficient and profitable at the same time. So we've had to address all of those situations as we had that dramatic ramp-up in price.

DePue: Well, we've talked quite a bit about your involvement—the Farm Bureau's involvement—with world trade organizations to level the playing field, etc., but again, there's not a level playing field when it comes to ethanol coming from Brazil, for example.

Nelson: And we've talked about that as an organization. If we took those input tariffs off today, it absolutely is meaningless, because through the CAFTA—the Central American Free Trade Agreement—part of that free trade agreement allows a certain amount of ethanol to come from South America into this country, anyway—under a certain level. And I think probably long-term, that'll be something that will be on the table to be considered or taken off, because right now, they're not producing enough ethanol that it would have any impact on us, but is that going to be the case ten, fifteen, twenty years from now? I don't know. Nobody knows that at this point in time. So right now, it's really a non-player or a non-event. But I'm sure as we discuss free trade agreements going forward, as it was with CAFTA, I think it'll probably be something that will be on the table to be discussed.

DePue: You mentioned the Bush administration's production targets. Are those achievable, you think?

Nelson: I think they're goals, and how I would characterize is if you don't have a goal to shoot at, you don't know where you're going to at least target things. I think it's a little ambitious on the cellulose-based side. There's going to have to be some government infusion in to make sure that that happens, not only on the plant side but on the research side, to make it effective and

efficient. On the corn-based side, yes, I think we will hit the fifteen billion gallon here in the next three or four years, if things continue to ramp up the way that they have in the past. And we've got to get some infrastructure adjusted to get that fifteen billion gallons up and running. By that, I mean I think we need to see more E85 stations than what we have today. We might even look at that blend rate from 10 percent, which we're about there now, and move that up to maybe 15 percent ethanol. And we can do that relatively easily, if we get the right signals given to the marketplace to make it happen.

DePue: Earlier you were talking about—well, let me frame this question this way: The challenge in American agriculture for the last century, maybe century and a half, is that American farmers are independent operators, and they are incredibly efficient, which means that you've got overproduction, oftentimes, that drives the prices down. And I start with that by saying part of the rationale, as I understood it, for dramatically increasing ethanol production was to help stabilize corn prices or flat out to increase corn prices, and yet you're saying that that's not really what's driving corn prices today. I wonder if you can address that kind of a challenge?

Nelson: Well, it can be what drives corn prices, from the sake of demand. But in the case of what we just went through this last year, you had some artificial forces that drove corn prices well beyond where they should have been. I think long-term, demand is key, and it doesn't come in the form of just raw, number two yellow corn. It comes in the form of distillers grains that are being shipped to China or other parts of the world. So as long as you expand that demand pie, you're going to have a market for that.

I think the one thing that I think we've looked at is the technology that we've had in corn production has been truly amazing. I mean, now we're looking at 160-, 170-bushel average corn production yields. Some seem to think in the next decade, that number might be 250-bushel corn. So if you're going to keep pushing the technology, the research, the genetics, the events that we put into our corn, we also have to increase the demand from a usage standpoint on the other side of the equation, whether that's growing the livestock industry, whether it's finding new uses for the coproducts coming off of ethanol plants, or just trying to fulfill the dietary changes in some of these developing countries. It's all of the above, and that's why trade is important to our organization and always has been, and it needs to continue to be if we're going to open markets for what we think are going to be future increases in the production side of things.

DePue: Would it be fair to say, then, that the Farm Bureau's approach to the kinds of challenges that are out there in agriculture are to grow the market rather than greater government involvement?

Nelson: We've always stood by the mantra that we want the marketplace to determine the future viability of the farmer. There is a role for government, make no mistake about it, to try to put at least a safety net underneath the market so that we don't have a huge exodus of farmers. If for some reason, outside the control of a farmer, that a president puts an embargo on or something happens to really pull the safety net out of a particular commodity price, there's a role for government to play in that so that we have a stable food supply in this country. So that's really the trick and the role of farm organizational leaders, is to have that safety net but try to have access, that we can sell our products around the world.

DePue: Well, we've covered an awful lot of terrain here over about four hours of time, but I wanted to give you an opportunity to respond to some more general questions to kind of finish this thing up. And again, we only have a few minutes of time, I think. What do you think is the biggest change that you've seen in agriculture since you got into it as a young man?

Nelson: I would say probably the change in efficiency of what we do, whether it was the technology of taking hybrid seed corn—when I was a youngster growing up on the farm, when we thought 100 to 120-bushel corn was a good thing, to now, when we raise 200-bushel corn—or on the livestock front of watching hogs go to market at about four and a half months, where that used to be about seven—that technology has just been amazing. That’s one. And I think the other efficiency is just watching how we’ve changed just the machinery that we operate in agriculture. I mean, my son is ten years old, and he doesn’t know what a tractor looks like that doesn’t have a cab on it. (laughter) And I grew up—and I’m not that old—(laughter) where everything was open-air, and we would inhale the dust and the wind and the cold. And the comforts of farming today are far better than they were when I started out. But along with that, I think probably the other change is knowing how to manage your risk and your money and your farming operation. This is not a game anymore where you’re dealing with a few dollars; you’re dealing with hundreds of thousands of dollars in operating notes, and land has appreciated in value. You’re dealing with a much bigger asset value. So we’re undergone a lot of change from when I started in the seventies to today, and I see that change coming even faster, as my son hopefully walks into my shoes, continuing the operation, as well as my daughter.

DePue: Well, that’s perfect, because that’s where I want to end with this. What is it going to take for your son, if he decides to go into agriculture, to be successful?

Nelson: Well, I think—

DePue: What does *he* need? What skills does he need?

Nelson: I think you need a strong education, and get as many life experiences as possible.

DePue: Does he need a college education?

Nelson: I think it’s almost essential, and I say that because the things that are being taught today are going to change so quickly by the time he gets to come back to the farm.

DePue: What would you tell him to study in college?

Nelson: I think if I were going to tell him one thing—and this is kind of the wherewithal that I had when I went to college—is I had a strong desire to have an accounting background. I think marketing, financial expertise—I don’t care what kind—is going to be imperative because of the dollars that you’re going to be working with. I think the other thing that I would study is trade, because we have to understand what our overseas customers want, and try to provide that in a form that they’ll buy it from us. We’re on a global stage, and to get to know other parts of the world, I think is going to be essential as you try to determine what type of products that you want to grow and market those.

DePue: Excellent. Now, this is the last question here. What do you see is the future for farming in Illinois? Bright?

Nelson: I think extremely bright. We’ve got some challenges right now that we’re facing, but I think for the first time in my life, that you’ve got more marketing opportunities out there to grow corn and soybeans, cattle and hogs, than we’ve ever had. We’ve got unit trains that service the cattle feedyards in Texas, to where we grow distillers grain for people in China. And for the renewable fuel side, whether it’s the windmills that are going up in this state, the ethanol plants that have been built, the unit trains that are up and running, I think we’ve got some tremendous opportunities for commodity production agriculture right here in Illinois.

DePue: How about the future of the family farm?

Nelson: Well, I think it too has a great future in front of it. It's not going to look like it did when my dad and mom raised six kids, or my grandparents before them, but I think it's going to be how you're going to network with other farmers, maybe joining operations to try to share overhead costs. I think that family farm is just going to change and continue to change as we get probably larger operations and more specialized operations.

DePue: Okay, well, again, I think we've had something like four hours of conversation here—we've covered a huge range of subjects—but it's very obvious to me that everything we end up talking about are things you've spent a lifetime thinking about and articulating with all kinds of groups across the entire state if not the entire world, I guess, since you've traveled throughout the entire world. So it's been a thrill for me to interview you. I hope you've enjoyed it. Any final comments?

Nelson: I did too. I hope that through this interview, you've understood the importance of agriculture, and our organization, the Illinois Farm Bureau, has kind of been at the forefront on a number of these issues.

DePue: Well, thank you very much Phil.

Nelson: Thank you.