

PRESENTATION

Speaker: Martin Richenhagen
October 18, 2017 - 1:15 p.m.

Introduction

Ambassador Kenneth M. Quinn

President - World Food Prize Foundation

I want to now invite Mr. Ruan, Dr. Adesina to please leave the stage and come down to your seats and to invite our opening speaker, Martin Richenhagen, to come to the stage.

So Martin Richenhagen is the Chairman, President and CEO of AGCO Corporation. And I got to know AGCO better in Berlin at Green Week and all of the activities going on there, and I came to see that their company has a very direct focus in Africa. And so I got in touch with him and said, "You have to come and speak at our symposium." And he explained to me that his schedule was such that he just didn't see, he had other commitments, and how he could be here. And he said the only time maybe he could make it work would be Wednesday afternoon. I said, "Done. You're on. Be here." – because I think it's so critical.

And it's interesting, my having made the connection in Berlin, because for many years Mr. Richenhagen was the only German CEO of a U.S. Fortune 500 company. He was born in Cologne, studied – and I love this – theology, philosophy, and worked as a French teacher before he changed fields and started a successful international business career. So, wow! Yeah, there's still hope for a political scientist like me.

His products, under the brands of Challenger, Fendt, Massey Ferguson (one that we know well here), Valtra and GSI, are well known through the industry. And he in fact is an agribusiness expert, often invited to come and speak at many different fora.

So we are very fortunate to have him here with us today to deliver the opening address at the Borlaug Dialogue. Martin Richenhagen.

Martin Richenhagen

Chairman, President and CEO, AGCO Corporation

So this is how you get those kind words when you are the first speaker. When you are the 20th, I'm not so sure. I have to apologize, but I will speak to you in the most spoken language of the world, which is broken English, today. I am headquartered in Atlanta, Georgia, and you might know that our biggest competitor is headquartered in Des Moines, and therefore it was very tough for me to come here. We have certain allergies when we think about that.

And you can hear from my accent also that I'm from Georgia, right, that's a typical Southern thing here. I was thinking about what to talk about, and I wanted to be well prepared. The only

person I really knew was the Laureate and Ambassador Quinn. And when I then went through the list of participants, I figured out all important nations of the world are here, all important industries or industrial participants of the food sector are here, all politicians or people who have been successful in administrations are here, ambassadors are here, and a lot of people from the academic world. And I said to myself—oh, my gosh, what can I tell them? What can I talk about?

We at AGCO, we have a strong belief. We want to respect our people. We are humble people, and that fits very well into our industry. We are simple. I did write a book called, *Simply Management*, so that means I time my simple approach; because if I would try to over-engineer my presentation, I'm sure that all of the professors in the room would tell me that I'm wrong, that they know better anyhow. And because I've been a teacher, I know how that feels.

So I want to talk with you a little bit about an idea about AGCO's approach and our real operational work on how to help our customers, farmers, feeding the world. And it all starts with our vision. So when I came to AGCO in... Well, it's important to know the average lifetime of a Fortune 500 CEO is two and a half years. I do that from 2004 on, so I somewhat survived.

And when I came to America, I was actually thinking about what could the strategy for AGCO be. And our strategy, or our vision, be defined at that time, "high-tech solutions for farmers feeding the world." So this is a brand-new vision, because the initial vision was "high-tech solutions for professional farmers feeding the world." And then we figured out that there is a very, very important segment in our industry, of smallholders which are relevant to the societies, to the countries they are living in and working in, but nobody is really helping them.

In Africa, my favorite saying in Africa is, "No farmers, no nation." And farmers in Africa, but not only in Africa, in many other countries of the world, are small. And so therefore we decided to take the "professional" out because in the meantime also manufacture and develop solutions for subsistent farmers. Why? Because we want them to make money, and then they get out of the subsistency. I will talk about that later.

We think that the productivity of all farmers need to increase, which is of course for us a great idea, because we live on the idea continents like Africa or countries like Russia or China have to be mechanized. We also think that we are just starting to see super-intelligent, high-tech solutions in the area of precision farming. While in the past, basically, farming was almost like craft. So a farmer in Iowa, he maybe started planting not because of any kind of plan or any kind of research he had done or analysis. And most of the time he talked to his wife, and the wife said, "Well, actually our neighbor starts planting," and then the whole village did it. Maybe that was the wrong moment in time.

So this is completely changing. And like we all know in manufacturing, it starts with measuring your results. So we know from factories that you basically measure what you are doing all over your processes, and when you know all those measurements, and when you know the final result. Then you start to optimize the process. That's called Six Sigma or Kaizen or continuous improvement process or whatsoever.

We do believe that this also is starting to happen in farming, and it all starts with yield mapping. So our products today are in a position to exactly know what the results of the harvest are by square inch or square centimeter, wherever you are. And then you basically re-engineer the whole process; and you do that when you don't work, because in wintertime you

have plenty of time to think about it. And you can also ask advisors. You can talk to your seed supplier. You can talk to a consultant. You can talk to your director, manufacturer. And then you start to really plan, and then you basically come up with a plan on how to improve your farm productivity in the next cycle.

Therefore, when we had a discussion about the purpose of AGCO, we decided that our purpose is improving farm productivity. We are the only pure player in our industry, so we do and think nothing else than agriculture. We don't make lawnmowers, we don't make golf equipment and turf equipment. We are not into wind energy. We do everything a farmer needs.

And farmer needs more than just farm equipment we figured out. In many countries of the world the post-harvest losses, so the grain which is lost after the harvest due to bad storage conditions is 50% and more. I have been on a big farm in Russia in December, and I was very proud to see that one of our combine harvesters was thrashing corn at minus 20 Celsius, and it worked. And it harvested deep frozen corn which was stored at the site of the field. You can't imagine how big the operation is. You basically see the harvest leaving, and then one hour later it's not back yet; so that means we really talk about huge farm operations here, and you can't imagine how big – it was a mountain of deep frozen corn.

So what do the farmers do? They basically come with a reload, bring it into the stable where it's basically then first melting and then fed to the animals. Actually not a bad process as such. The only problem is, this pile of corn is the biggest self-service supermarket for the complete wildlife east of Moscow, including also all the retired people and the not-so-wealthy people who go there with a bucket in order to get something to eat for themselves and also for their animals.

So we decided to look into this, and we made an acquisition, and we bought the market leader in corn logistics, or let's say grain logistics. We manufacture grain storage, silos, grain drying equipment, grain transportation equipment. And the great thing is, this is something that's very, very easy to sell as long as the farmer finds a bank to help him to finance it; because the return on investment on a grain elevator from GSI is less than a year through the reduction of grain losses. So all of a sudden, from losing 50%, you lose almost nothing anymore.

Another very important thing is, I think we can easily agree on the fact that all of us, wherever we are in society and wherever we live in what country, wherever we live, we, I think, all agree that all people in the world have the right to get quality food. I think all people have the right to get education, a house and some kind of security and peace. If we agree on that, then we could start thinking – what could our contribution be. And here in quality food, it's very simple to organize or rather simple to organize that in everything which is grain, it's by far more complicated to do it for protein to eat, for meat; because what modern society wants and what we all want is we want to eat meat from happy animals, from animals who had a wealthy life.

So we don't want to eat chicken where we know that that chicken really was in misery for weeks and we just saved it by making it a McNuggets or something like that. So this is another business we are working on, and it's really fun; because all of a sudden, with the know-how of the academic world and of manufacturing, we find solutions. So we have now chicken houses which are almost like..., basically, there are little condos in it where you can drink and eat and lay your egg, and the chicken can choose where to go. And it's very funny to observe that one is going to the same little condo all the time; the other one always wants to be together with somebody. They are made for one chicken, mainly, but we can see three squeezed in one. And

the other one wants to be in a different one every time. And then you figure out, oh, well, it's actually not as easy as we thought, because when it's a multi-storage building, so to say, made out of wire, the guys who live in the first floor suffer a little bit from what's happening on the fourth floor. So this could be fixed easily with people who are in manufacturing, because there is a belt going below every stable, every row – they're like townhouses in a way, and it's basically the continuous transportation of manure out of the way.

And those ideas now you can generate in-house. But somebody I think has a presentation here or had already a presentation talking about that it's cool to be in our business. I strongly believe that it's super cool. And I think also one day the farmers of Nigeria want to be called farmers again and not agripreneurs.

And so not all ideas are generated in a company, in a big, public-owned company, so they are slow, they are bureaucratic. If you want to see what that means, just walk to your local ag equipment manufacturer. You can see how they work. We are the same, pretty much. So we thought it might make sense to look into startups, and we do that again in Berlin during the Green Week. We do something new now. We invite people from all over the world to come to us with great ideas for our customers, great ideas for improvements in agriculture and farming. We don't know the results yet, but I saw the first... Well, we have, I think, so far 8,500 applications, so that's all ideas, inventions, and even small companies.

And it's amazing. I remember a guy (because I found it kind of funny), a guy from Africa who has founded a business. He bought an old tractor and an old tractor trailer, and he has loaded it with thousands, I think 2,000 or whatsoever, lead acid old car batteries. And he charges those batteries, and then he goes on the road, and his business is selling charged opportunities for owners of cell phones. And the amazing thing is... And here developed countries might have a problem. We talked about infrastructure. The infrastructure for cell phones in Africa is, I think, better than in my home country of Germany. That is why I became American in 2010.

And I want to shortly cover, because this is the theme of this event here, what we are doing in Africa. You heard already that Africa is the most important opportunity for our industry. The African population is one of the youngest... Of course, we need to say here for, let's say in Iowa, it's maybe worse to mention Africa as another country. This is also something I told the President when I met him, and he pretended to know, and I said, "How many countries are there on the continent?" Then he relegated the answer to my friend, Sonny Purdue.

So Africa is a continent with plenty of cultures, with hundreds of languages. Even within one country you might have people of different cultures and languages, and therefore it has to be organized. But one important thing is, there's no continent of the world which has a younger population than Africa. That's a big asset. We actually in your world are more or less running a retirement home similar to Florida. So Africa has very young, very dynamic and highly intelligent and motivated people. And when you go there, you will be very surprised, because even in modest circumstances you meet extremely happy people at the same time. And they are happy because they see the future as something they want to work on. They want to achieve something. They want to do something. That's one asset – the people.

The second asset is the land. Africa is the only area in the world where we have land which is available with water and the right climate, and in some areas you can even harvest several times per year. And it's the only area in the world where farmland is available, and this is a

huge opportunity for all of us, for everybody in our industry. But this will help Africa to develop, and it will help the world to have enough quality food in the future.

So the problems we talk about, there's no industry in the world which basically has developed or generated similar productivity improvements like the farmers did. So when you compare what farmers do with what farmers did a hundred years ago, huge productivity improvements. Most of you know the numbers, and those numbers you can't see in any other business, whether it's steel or automotive or whatsoever.

So what are we doing in Africa? One is we are very proud... We are the only player in the industry having a factory on the continent. We have people. We have created jobs in Africa. And we basically developed now a distribution. When you go to Africa, you need to do something which you might not need to do, certainly not here in the corn belt, but you might not need to do in many countries in the world. In Africa it's not enough to just sell them a tractor or a combine or a plow. You need to explain from only a hand tool how mechanized, modern farming works from the beginning to the end.

And we have basically, one could call it almost a... I won't. I don't want to be arrogant here with all the important deans and presidents and professors. But we have almost like a kind of mini university which started in Zambia – we call it the future farm. It employs about 150 people in the meantime, of which 95% are local Africans. We just basically train them according to what they know, the trainer model. We brought them to the U.S. We brought them to Europe, and now they work as teachers, as almost... They're very great teachers. And we do that together with churches, because the churches are very, very engaged and very, very reliable people. We just need to tell them what they need to teach and then they do it.

And so here we train hundreds of young farmers every year, and we do that before we sell them a tractor. What we then also found out, the problem of the subsistent farmer is basically that he does not make money; he does produce just enough to survive. And with bad weather when the harvest is done or gone, he is really running into an existential problem. So what we need to manage is that also the subsistent farmer generates what we call cash flow, so that he produces more than the family needs, and can sell some of his product. And then the money he makes can be used either for bad times or for sending kids to school or for investing in the farm.

How have we done that in our world in the past? We also had very, very small farms. When the settlers came here, they didn't have big farms from the beginning, so we did have co-ops. We had villages owning a tractor, and we still have that in some parts of the world. So we go to Africa with agronomists from Brazil, because those are the people who know how to develop almost deserts – it's not a desert but it's close – into farmland. And you go with co-op people from Europe who train and explain farmers what it means to have a machine ring or to own a tractor with five farmers.

And so this is not changing the world from one day to the other. It's modest and humble, but it works. And we think that farming has a brilliant future. When I moved into that business, all the head hunters and all the experts and other men that just said – Oh, my gosh, what did you do, my son? Because farming was seen as the most old-fashioned industry you could be in. You all know that this has completely changed, and I'm very, very sure that we are all together, that we will be in a position to feed that growing world population. Thank you very much. And here are also the things I can't explain how to do it, but some people do.

Ken Quinn

That was wonderful. Thank you. Martin Richenhagen, thank you. What a great way to start. Yeah, indeed, indeed. And so I know you're going to be leaving Des Moines, but I hope you have a chance to stop by our Hall of Laureates tonight before you go. You'll love the building, and when you walk in the door, you'll see a quote from Dr. Borlaug, and it says, *Food is the moral right of all who are born into this world.* And that's what you were saying in your presentation.