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COMPANY PROFILE Cargill's New Leaf

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Efforts to steer the ag behemoth in a more innovative direction are producing results, and nowhere is it more evident than in its protein operations.

By Lisa M. Keefe, editor

Scott Eilert is a scientist's scientist. He trusts facts, figures, repeatable test results and the power of evidence. He seeks out the tangible: a product that can be touched, an idea that can be built. So when Eilert talks about change underway at Cargill Inc., he can see it, smell it, taste it.

"There are all of these things you commit to — you commit to customer-focused innovation, you commit to being more transparent," says Eilert, vice president, animal protein technology development at Cargill. "At the same time we're aligning our businesses to make the best use of talent and make us the best partners for our customers."

Innovation? Cargill just opened its eighth Innovation Center, this one, in Wichita, Kan., focused on proteins. Eilert brought the multi-year project to fruition. Re-alignment? Cargill is breaking down walls between business units for better cross-fertilization of ideas and research. Transparency? In February 2011, Cargill took "The Oprah Winfrey Show" cameras into a slaughterhouse and came out a hero.

"It may seem somewhat out of character for a 146-year-old food company to be putting so much emphasis on innovation," Cargill CFO Sergio Rial said at the Wichita Innovation Center's opening festivities. "It would be easy to assume that we're in mature, slow-growing businesses and that we've exhausted the opportunities for innovation. [But] ... an innovation mindset allowed us to grow and prosper for the last 146 years and it sets the stage for our success in the decades to come."

Enduring legacy

Like many storied American companies, Cargill Inc. was founded not long after the end of the Civil War. Unlike many other storied American ventures of that era, Cargill is still here — actually almost everywhere, with \$119.5 billion in revenues, 138,000 employees in 63 countries, working in the agriculture, food, financial and industrial market segments.

Its long corporate life can be chalked up at least in part to a famously conservative management style. Cargill traditionally has been loathe to go public with almost any information, earning a reputation for being the biggest company most people know nothing about.

But Greg Page, CEO since 2007, knows that survival in the 21st century requires different skill sets. True, in traditional Cargill style, Page, first as president under Warren Staley and now as CEO, has been slowly retooling the company's efforts over the last 10 years — no on-a-dime turnaround, this. But more recently the changes have begun to bear obvious fruit, and nowhere more clearly than in the company's protein operations.

Downtown

The Cargill Innovation Center blends in with the mid-20th century architecture of downtown Wichita while still

looking as shiny as a four-month-old research facility should.

The center's location on 1st Street is symbolic. Previously, protein research was conducted in a converted fabrication facility on the hem of the outskirts of town, in the shadow of a large grain elevator. Cargill called it a "product development center," and the name change isn't just cosmetic, Eilert says.

"We spent a lot of time thinking about what to name it," he says. "'Product' and 'technology' [are] not in the name — innovation is more than technology or improving existing products."

The new center has the expected — state-of-the-art labs, a shelf-life testing center, a pilot plant — and the unexpected. Different rooms, for example, replicate the meat case typical of a convenience store or a larger supermarket. One kitchen is set up to run tests under typical restaurant conditions while another duplicates the atmosphere of a home kitchen. Salt researchers work side-by-side with protein researchers.

"I don't think [what Cargill is developing is] what the consumer is asking for; it's more what we believe the consumer needs," says Steve Willardsen, president of Cargill Value Added Meats, Retail. "Getting ahead of what they even want is what this building is all about," he says.

Home runs

Long before the foundation was poured on the structure, though, Cargill was flexing its muscle in innovation. In 2007 the company rolled out Rumba, its first multicultural consumer brand. Having racked up double-digit growth since its inception, Rumba reportedly is on track to be a \$100 million brand by mid-decade.

Earlier this year, Cargill made waves when it rolled out Fressure brand high-pressure pasteurized ground beef patties for foodservice. With it, the company demonstrated that it had found a way to treat ground beef with the pathogen-killing technology and double its shelf life to 42 days, without upending its desirable organoleptic properties — like taste. Fressure represents two years of R&D investment by Cargill.

Internally, Cargill has focused on sustainability. Now, for example, in its beef business one out of every five animals is processed with renewable energy, says Scott Harter, associate vice president of environment, health and safety. In July the company announced a \$36 million (Canadian) investment (using C\$10 million in public funds) in a waste-to-energy project at its High River, Alberta, beef processing facility, so that the huge plant itself (4,000 head of cattle are harvested there each day) can generate up to 80 percent of the energy it uses.

A spate of recent successes belie the fact that overall, innovation is a slow, steady and never-ending process.

"Cargill has been working on moving up the value chain for many years, and it is a slow process," says Judi M. Rossetti, an analyst and director with Fitch Ratings. "Its primary focus still is commodities, so while the further-processed products are positive steps, they are not likely to move the needle on earnings in the near-term."

Making headway

Says Willardsen, "I'm not telling you that we're all the way there yet. It's certainly a journey, but we're making headway."

To help the process along, Cargill brass also took the less-measurable route of putting the company's corporate identity front-and-center; for example, individual business unit insignia are gone — only the green-leaf corporate symbol adorns buildings, business cards or shirts.

Emphasizing the corporate identity internally and externally is intended to foster communication, cooperation and creativity across business units.

"If I think of the company's vision to become the global leader in nourishing people ... how do we connect across all of the world of Cargill, not just protein?" asks Jody Horner, president of Cargill Case Ready, rhetorically. "That could be flavor systems. It could be expertise in packaging. Or it could be other ingredients, because many of our customers are buying other Cargill products, as well."

Says Eilert, "If we're going to [say], 'We want you to do business with Cargill because we can bring these resources to bear,' well, guess what, we had better be prepared to do that because otherwise it's just fancy words on a PowerPoint slide."

Going public

From outside the company, the most noticeable change at Cargill is its visibility. Once known for not sharing information across business units, the company has climbed on to some of the highest-profile platforms imaginable.

Take Cargill's turn on "The Oprah Winfrey Show" in February: Not only did Cargill's Fort Morgan, Colo., plant manager (who also is a lawyer) provide counterpoint to Michael Pollan onstage, but Oprah reporter Lisa Ling also presented a video shot at Fort Morgan, walking the audience through each step of harvesting beef (except the stun). "Everything runs like clockwork," Ling said on camera. "It's really quite impressive."

The same month, Ellie Krieger, host of the Food Network's "Healthy Appetite" and a blogger for the Huffington Post, also toured a Cargill facility, in Texas.

"I am ... stunned by how humanely the animals were treated and by the detailed attention given to food safety at every stage of the process," Krieger wrote.

"Nobody flipped the switch one day and said, 'Okay, now talk,'" Horner observes. "It's been evolving. And that's where I think you see Cargill going, [toward] more openness."

"We are moving toward a formalized process for helping [Cargill representatives] be better communicators," says Mike Martin, spokesman for Cargill's North American meat businesses, who organized the Ling and Krieger visits. "It's not just for working with the media. If we can communicate well, we've got an array of stakeholders we need to talk to."

Bad news

The news is not all good, all the time at Cargill, even now: Last summer the company recalled more than 36 million pounds of ground turkey due to *Salmonella Heidelberg* contamination; 136 people in 34 states were sickened, according to the Centers for Disease Control and Prevention.

In November, the Department of Labor sued the company alleging discriminatory hiring practices in its meat operations, a charge Cargill denies, saying the agency's conclusions were based on a statistical analysis rather than on the actual reasons for the decisions.

And in early December, Cargill Inc. announced it would lay off about 1.5 percent of its worldwide workforce — about 2,000 people — including 50 in its meat processing operations.

But don't look for Cargill to climb back into its shell.

"There always are peaks and valleys," Martin says. "Cargill is positioning itself for growth, regardless of circumstances."

Says Eilert, "As a privately held company, we've not typically been out telling our story, [but] ... we shouldn't be afraid. Is there a concern that people are going to take things out of context? Sure there is, so, what's the choice? Well, don't show it to them and let them automatically take it out of context. And that's really the 'a-ha' moment."

AT A GLANCE

Company: Cargill Inc., North American meat businesses **Base:** Wichita, Kan. (meat businesses), Wayzata, Minn. (corporate)

Founded: 1867

Employees: 138,000

Meat products: Beef, pork, turkey, RTE

Brand names: Angus Pride, Circle T Beef, Excel, Fressure, GoodNature pork, Harvest Provisions, Honeysuckle White, Marval turkey, Meadowland Farms, Plantation turkey, Ranchers Registry, Riverside turkey, Rumba, Shady Brook Farms turkey, Sterling Silver, Stoneside pork, Tender Choice pork, Valley Tradition, Willow Brook turkey

UP AND DOWN

Up: Emphasis on innovation Many companies talk about it; Cargill has the goods (e.g. Rumba, Fressure) to prove it.

Up and down: Move toward more transparency. Cargill rolled the dice on Oprah and Huffington Post and came up a winner. But you have to be just as out-front in the face of bad news as good.

Down: Size. Big things happen to big companies: Big recalls (36 million pounds of ground turkey), big lawsuits (the federal Department of Labor), big layoffs (2,000 worldwide) all make big news.

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