

Masters of Scale Episode Transcript: Beth Ford

“Focus on the scale that your customers can’t see”

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TIM MALTIN: They knew they were in the ice region. They were keeping their eyes peeled for ice. But unfortunately, the conditions of visibility that night were in fact so clear that it actually created a slight haze on the horizon. So the irony is, because they could see so far and so clearly, it actually meant they saw the iceberg a few seconds later than they would normally have done. And of course, it was those few seconds that proved fatal for the Titanic.

REID HOFFMAN: That’s Tim Maltin, and he’s telling us the story of the most famous shipwreck in modern times. As a Titanic expert for the past 30 years, he can take us deep into one of history’s most lopsided battles.

MALTIN: Titanic was 46,000 tons. She was the largest moving object made by man. She could have a collision with another vessel and still survive.

HOFFMAN: But of course, the Titanic’s collision wasn’t with another ship.

MALTIN: The iceberg was 100 feet high, and that's above the surface of the water and 400 feet long. And ice, as you know, is many times bigger underneath the water. So in fact, the iceberg probably weighed about one-and-a-half million tons.

HOFFMAN: Right. The iceberg.

Icebergs are famous for two things: One is this story. The other is that most of their mass exists below the water’s surface. We say “that’s just the tip of the iceberg” when we mean, “there’s a lot more than meets the eye.”

In the Titanic’s case, there was a lot more actual iceberg than what met the eye. And because of how light bent across the clear night sky, the iceberg itself was closer than it appeared. So once the ship got too close, a collision was inevitable.

MALTIN: Titanic was made out of plates of steel that were riveted together. So rather like a patchwork quilt, whereas instead of using wool and cotton, you’re actually using plates of steel bound together by steel rivets.

HOFFMAN: But that quilt of steel was doomed. No matter how big they had built the Titanic, it was never a match for the immovable ice.

MALTIN: The thing is when a ship, no matter how big the ship is, even if it's the largest moving object made by man, when it meets a giant iceberg in the dark, it's that elemental awesome power of nature. It's that weight of millions and millions of tons of the iceberg. And no matter how clever people are to make a strong ship, that ice is always going to win.

HOFFMAN: The Titanic's visible scale, however grand, was no match for the hidden scale of the iceberg. And with companies, we too often focus on scale that's visible. Massive campuses, thousands of workers, offices around the globe. But this familiar picture of growth isn't the only kind there is. There are less conspicuous ways to scale, giving your business not just raw size, but structural integrity.

That's why I believe when it comes to growing your business, don't be afraid to be the iceberg. Scaling beneath the surface gives you ballast to help keep you afloat.

[THEME MUSIC]

HOFFMAN: I'm Reid Hoffman, co-founder of LinkedIn, partner at Greylock, and your host. And I believe that when it comes to growing your business, don't be afraid to be the iceberg. Scaling beneath the surface gives you ballast to help keep you afloat.

I was asked recently whether startups should aim to scale horizontally first, or vertically. That is, should you focus on making a broad market grab, or start looking to control more of your supply chain? And the truth is, I don't believe in a hard-and-fast rule about which direction to grow. Because the way you really want to grow is strategically.

Icebergs, as it happens, aren't all one shape either. Some look like mountains; others more like wide, flat tables. There are little ones and big ones. But no matter what the shape, the ice below an iceberg's surface provides a very strategic function. Far from dragging it down, the ice below the surface is providing ballast and stability.

Ballast gives a scaling company stability too. It can also provide opportunities to beat the competition.

I wanted to talk to Beth Ford about this because as CEO of the heritage brand Land O'Lakes, Beth has worked hard to build that ballast, and scale operations strategically – often far beneath the surface of what the average customer knows. She's been at the company since 2012, and CEO since 2018. Before that, she managed supply chains for a host of scale businesses from Pepsico to Scholastic.

Now, when I say Land O'Lakes, you probably think "butter." And Beth says, that's fine by her.

BETH FORD: We like to say we sneak up on people. We love that everybody loves their butter. Thank you. Thank you. Thank you. We love it too. But, as well, it's a bigger,

broader business? There's kind of a B2B component, and it's a B2C component. We have to think more broadly than just at the acre.

HOFFMAN: Thinking broadly is one of Beth's great talents. It's a skill she's honed from childhood, growing up in Sioux City, Iowa.

FORD: I'm number five of eight children. We were very much a working-class family. Raucous as you can imagine. I share a room with my three sisters. I get one drawer that's mine. As I say, I have to have a place to put the hand-me-downs, because that's what's happening in my world.

HOFFMAN: In a home with eight kids, there weren't many spare resources to go around. But Beth remembers the day she learned she had a lot more than she thought.

FORD: My mother always would go to a family that was in need, during Thanksgiving, and we'd go bring a meal. It's not like we had tons extra, but she was like, "We're bringing them a turkey and the fixings." And so we went to this one particular home, and maybe I'm 11, and it was this apartment. And these kids are running around in their underwear.

It's kind of not a great location. And we left, and I said to her, "Why are those kids running around in their underwear?" She was, "Didn't you see their one pair of clothing was on the radiator drying?" And then she looked at me, and she said, "Do you see how much you have been given? Do you understand your responsibility?" I think that was formative to me.

HOFFMAN: Beth's mother showed her how to notice when there's more to a situation than meets the eye. Suddenly, Beth looked beyond the unruly circumstances in front of her to see the deep need underneath. She also saw how many resources she actually had ... and how important it was to make use of them.

Beth went on to college, and before long, she was thinking about resources full-time. Mobil Oil recruited her as a supply-chain trainee. She wasn't their typical candidate, but to Beth, the work made sense.

FORD: I was there for nine and a half years. I had, I don't know, eight or nine different jobs: in-line operations, managing tanker, barge, trucking facilities, manufacturing facilities. I did a little time on the trading floor. And what I learned about myself is I liked businesses that touch people, that make things, that do things.

HOFFMAN: As Beth approached her 10th year at the company, she discovered she was more interested in the problems of supply chains than she was in becoming an oil executive.

Supply chains consist of many individual points of contact that, when strung together, become a massive unseen force delivering the products and services we use every day. A customer can hold a Happy Meal in their hand and never see how many steps it took to get there. And Beth wanted to understand every point along that line.

So she took a series of positions running supply chain operations. She went from Pepsi to Scholastic. At each new company, Beth learned about the business end to end, looking for new opportunities to drive ahead of competitors by building verticality and stability. She wanted to make sure her company was the iceberg, not the Titanic.

When Land O'Lakes first reached out to her to come aboard the company, Beth's first reaction was swift.

FORD: At first I was like, "No!"

HOFFMAN: On the surface, heading to Minnesota to run operations for a butter company did not make sense.

FORD: I received this call: would I come to Land O'Lakes? I was living in New York City. My wife was running this fund of hedge funds. We had three children, and I'm like, you know, "We're good here." I'm not in Iowa anymore. Jill, my spouse, is from Peoria, Illinois. We're like, "Look at us, we're in New York City. Isn't this fun? It's cold there in Minnesota, and I'm feeling like I'm a New Yorker now."

HOFFMAN: Minnesota's 10,000 lakes, while indeed very cold at times, aren't home to any icebergs. But when Beth visited Land O'Lakes operations there, she was surprised by the company's scale beneath the surface.

FORD: They started talking about the cooperative model, the challenge of feeding a growing world population. My predecessor, Chris Policinski, spent quite a bit of time talking about this mission of feeding the growing world population set to go to nine and a half billion by 2050, and the need to double production during that time.

HOFFMAN: On Beth's visit, she learned about the massive scope of Land O'Lakes' mission – feeding the world ... and doing it as a cooperative.

FORD: I've worked in small private businesses, big corporations, you name it. And this was really fascinating to me because really it's a collective that works together for a common good.

HOFFMAN: You may already have a couple of questions. Like, "I didn't know Land O'Lakes was a co-op! What does a co-op at scale even look like?" You're not alone. Many people don't know much about this structure, myself included. So I asked Beth all about it.

HOFFMAN: People who are not familiar with this ... And by the way, this is one of the things I'm going to ask you a bunch of questions about because I'm really curious to learn myself. We don't have anything like it within Silicon Valley and the tech industry.

FORD: This company was founded in the 1920s by Upper Midwest dairy farmers who are trying to get their sweet cream butter into the population centers in the East.

So they formed this cooperative. How can we do that? We can work together to invest to get our product into the East in the marketplace.

HOFFMAN: This cooperative was sort of a marketing alliance, where Midwestern farmers could work together to sell butter to eastern states.

FORD: And then they were successful. So then they formed a supply cooperative, which means all the feed and all of the crop items to grow their animal feed, they're being supported by this supply cooperative. And so they had a feed business and they had a crop supply business.

HOFFMAN: What those farmers were doing was creating ballast for their cooperative in a way that gave them both opportunity and protection. Their marketing collective gave them access to this new Eastern market, which they could only break into by working together. Their supply collective shored up stability around their supply chain back home.

100 years later, this is still more or less how Land O'Lakes' cooperative works today, though on a much, much larger scale. Now, they're a Fortune 500 company with annual sales that hover around \$14 billion.

FORD: The financial structure is that we hold back some of the earnings, and we invest it in equity or invest it in technology. And the rest of it goes out as a dividend, a patronage.

We work with small producers, Amish farmers, where we literally go to the mailbox to give them their paper check, right? And large producers. And our job is to advantage all of them.

HOFFMAN: What I see in this co-op model is a network ecosystem, the same way Airbnb is a network of independent homeowners and renters, or Etsy is a network of independent craft sellers. When configured the right way, network ecosystems add both opportunity and stability. They can help you vault to great heights of success, and if something fails, the network can help absorb the blow. In our "Titanic vs. Iceberg" metaphor, think of a network ecosystem as the many layers of ice keeping your iceberg stabilized in the churning sea.

But cooperatives take this network model one step further. An Etsy seller or an Airbnb renter don't automatically own slices of the company; they would need to go buy stock for that. But a

Land O'Lakes member farmer does own part of the company. Even if their own farm is small, they not only get a cash dividend; they have all the leverage of a scaled organization. They have access to scale purchasing power, scale advertising, and scale supply chain investment.

Remember, scaling vertically works best when it's strategic. Acquiring companies just to get bigger is generally a poor strategy. It adds complexity without purpose. And suddenly you look more like the Titanic, with its hull made up of steel panels that are vulnerable to impact. No matter how strong the steel, or how big the hull, if the rivets holding them together fail, the boat sinks.

To help us understand how Land O'Lakes is scaling beneath the surface, Beth agreed to give us a tour of what's going down at the famous butter brand.

FORD: You know the dairy business, our butter business, our cheese business. We own Kozy Shack, Vermont Creamery. For every pound of butter we manufacture, it generates two pounds of dairy powders that's a commodity. It goes on the international market. We sell it to Nestle or others...

We own Purina Animal Nutrition. We feed all the zoo animals. We feed the Olympic horses. We have a big research farm outside of St. Louis.

We're very much into R&D tied to our animal nutrition business, a key partner of Tractor Supply. We have Nutra Blend, which is a vitamin business that goes into feed stock. And then we have our WinField technologies business, which is actually our biggest business. It's probably about \$6-7 billion.

HOFFMAN: If all of this is starting to sound a bit overwhelming, here's the simple version. Not only does Land O'Lakes span a range of dairy products like butter and cheese ...

- They also feed the cows that make the milk for butter and cheese
- And they make the vitamins that enrich the feed, that feeds the cows
- And, they gather the data that protects the seeds, that grow the crops, that make the feed, that feed the cows, that make the milk that makes the butter and cheese

OK! Let's go back to Beth.

FORD: It's a tech-enabled, data-enabled business coupled with expertise. We have applied research plots, and we have a research center in Wisconsin. Agronomists that work with growers to optimize production.

We say farmer-to-fork, because we see the entire continuum.

HOFFMAN: One thing that speaks well about the longevity of this continuum is that it developed – pardon the pun – organically. The farmers who started the Land O'Lakes cooperative saw that

working together to shore up their supply chain made them stronger and harder to disrupt. This is the same philosophy that led to Land O'Lakes' staggering vertical depth.

FORD: It's an ecosystem. What we're doing is using agronomic advice and technology. We're partnered with a local retailer to work with a grower to optimize the profitability of their production.

And we do this by leveraging our data, our analytics.

HOFFMAN: This data-driven approach to farming isn't actually new. Farmers have long made it a regular practice to test the soil, rotate crops, and check the weather. These high-tech innovations echo what they've been doing all along.

FORD: The farmer is iterative. They're the original environmentalist, the original entrepreneurs. And they're constantly investing in their land so they can hand it to their next generation.

HOFFMAN: Investing back into the land is growing beneath the surface literally. Because the quality of what you put into the ground determines the quality of what grows out of it. That's not just a metaphor – that's Land O'Lakes' business model. And that model keeps expanding into a myriad of unexpected places.

[AD BREAK]

HOFFMAN: We're back with Beth Ford of Land O'Lakes. If you're enjoying this episode, you can share it using the link mastersofscale.com/bethford. And to hear my complete interview with Beth, become a member at mastersofscale.com/membership. There's so much more to this interview – from breaking down Land O'Lakes' board structure to Beth's story about how Land O'Lakes feeds Olympic horses. You won't want to miss it.

We're talking with Beth about creating ballast by growing strategically, beneath the surface. Whether you're looking to control more of your supply chain, or to build out new offerings to gain competitive advantage, both pursuits can help you keep your business afloat. In other words, don't be the Titanic ... be the iceberg.

For the past 100 years, Land O'Lakes has been using their cooperative structure to create both stability and opportunity. Lately, that "opportunity" has come in the form of data analytics. And in 2016, they used this data to launch a sustainability program.

FORD: We have Truterra, our sustainable production business to help a farmer improve the sustainable production methodology. So what will it mean if they use cover crops? What happens if a variable rate application of fertilizers? And we developed a model. This Truterra Insights Engine. It's got over a trillion data points. So a farmer can look at

that and say, "How can I use this information to improve my processes, my practices, to improve sustainable production, improve carbon capture?"

HOFFMAN: The member farms that participate in the TruTerra program both drive this data engine, and benefit from it.

We talked to one of those farmers about it.

LUKAS FRICKE: I think the first job I ever had on the farm was chicken chores. Every kid had to go through it. And that was water, feed them, gather the eggs.

HOFFMAN: That's Lukas Fricke. He's a co-op member and sixth-generation farmer on his family's farm near Ulysses, Nebraska.

FRICKE: Our family has always been a part of a cooperative. I was cleaning out my grandparents' house that I now live in. We were actually able to find, if I remember right, my great, great grandpa on my grandma's side, his membership certificate from the co-op just a couple of miles away.

HOFFMAN: Lukas' farm has been using Land O'Lakes' TruTerra Insights Engine for a while now. So he can explain what it is and how it digs for insights beneath the surface.

FRICKE: Their Insights Engine takes all of our farming practices, puts it in here. It's a lot of smart coding. And it helps us create a baseline and tells us how much CO₂ we are sucking out and putting it in the soil. What's our erosion impact? Where can we try new practices to get even better?

HOFFMAN: One example of a new practice this Insights Engine suggested is for farmers to change how they till their soil. Because tilling soil, or churning it up with a big machine to prepare the ground for planting, actually releases carbon into the atmosphere.

FRICKE: Through the TruTerra Insights Engine, it said, "Hey, on this farm, why don't you try strip-till?" So instead of taking a disc or a plow turning that soil over, or a disc going over the top and mulching up the plant material, it said, "you're going to go through your field with a specialized machine, and you're going to have a width about six inches wide, or we're going to till up just that one spot." We're going to do it in strips all across the field.

So we're reducing our tillage. We're creating a better environment for that plant. By creating a better environment for the plant, we have the opportunity to be a more productive plant at the same point. And so because of that, we sequestered more carbon, in addition to our original practices.

HOFFMAN: By changing your tilling strategy means new farm equipment, new machines. That's an investment. And Lukas needs to know how to make that investment pay off.

FRICKE: So with that, TruTerra is like, "Hey, you have this great data. We have a very interested party, in this case, Microsoft..."

HOFFMAN: You may remember that back in January 2020, Microsoft made a massive pledge to be carbon-negative by 2030, and by 2050, to have removed enough carbon to make up for all of its emissions and electric use since the company's founding in 1975.

That's a pretty tall order. And many past carbon sequestration programs have over-promised and under-delivered. It's well and good if you're trying to scale like an iceberg. But when the planet warms, icebergs melt.

We'll let Beth take it from here.

FORD: More recently, we've come out with our TruCarbon offer. First buyer was Microsoft. Where we're working on carbon capture with soil and improved practices, from that generating a carbon credit as an offset.

HOFFMAN: Many carbon credit programs create offsets by planting trees. But trees take years and years to mature. Crops, on the other hand, grow fast.

FORD: Here, one of the biggest levers, the quickest ones is in agriculture, landmass, and the ability for it to be a carbon sink. But we need the right incentive structure, right now. It's an ability to monetize the activities they're taking and pushing for so that they can improve, not only their soil health, but water quality, all of those things that are a gird against climate change.

HOFFMAN: With TruCarbon, Land O'Lakes is building both security and opportunity into their organization ... and their mission. It's the ballast that keeps their member farmers thriving and stable.

FRICKE: At the end of the day, we made both money off of the crop and the better bushels and the better productivity. And then all of a sudden we got to participate in a new carbon market.

HOFFMAN: But TruCarbon is, as they say, just the tip of the iceberg. They're also working with city and state governments to capture the methane that comes off dairy farms in particular.

FORD: In Central Valley, we partnered with our owners and with the government in California who want a methane reduction. And so we went to help them invest and take loans against their equity in the business to put in place digesters that capture that methane, go through a cleaning process.

The government of California invested in a pipeline and a connection to a pipeline. That clean energy is piped down to Los Angeles. It can be used for city buses and things like that.

HOFFMAN: Unless you actually work for Land O'Lakes, I'm going to wager you didn't know Land O'Lakes was capturing methane to help power LA's public transit system. It's yet another example of how the company is scaling beneath the surface.

FORD: It's kind of this virtuous circle. How do we think about the use of technology and the entrepreneurship of the American farmer, and what is healthy for all of us in the environment and healthy for the nation, protects us all, food security, national security, and at the same time, make sure that that investment can be offset with some level of profitability because they need to make some money off of what they're doing to improve their operation?

HOFFMAN: Land O'Lakes has been patiently scaling systems around their business, which makes each part of their ecosystem more viable. Investing in a carbon credit market is just one way to ensure that their member farmers stay in the game. Which is important if we want to, well, keep eating.

FORD: 1.5% of the population is involved in agriculture. Okay. But everybody eats, right? So if you care about eating, if you care about national security, and I think we all saw this during the pandemic. And we can all agree this should be an important area we should all pay attention to.

HOFFMAN: But even as Beth is trying to solve climate change, the global food supply, and make life better for farmers, there's another insidious factor that threatens to melt all these gains away. If the tip of the iceberg is butter, the part underneath ... is broadband.

FORD: None of this will work if we don't have broadband access in rural America. Okay? These are data-intensive models, technology, and efficiency. This is like electricity and water for goodness' sake. And we need that investment in underserved communities and in rural America.

HOFFMAN: This under-the-radar issue is one that Beth has been championing since becoming Land O'Lakes' CEO. And it's not just about getting farmers online.

FORD: One in four farmers lack access to broadband. Ninety-plus percent of farms are still family-owned. There have been shutdowns of rural hospitals. There has been a lack of investment in roads and bridges and waterways, the educational outcomes, healthcare outcomes. 78% of counties in America that index as food insecure are in rural America.

HOFFMAN: Part of taking control of your supply chain is trying to manage the ecosystem around the ecosystem of your business. If it's unstable or unsustainable, your business is like an ill-fated iceberg, drifting into warming waters.

FORD: All of this is about investing for the future. Broadband can be a stabilizer there and is a stabilizer for community, in terms of opportunity, jobs creation, in terms of access to healthcare, telemedicine. We have to think of this as the ecosystem it is.

HOFFMAN: Broadband access for rural communities is critical strategic ballast for every plan Land O'Lakes has in the works.

FORD: This isn't about, "Let me write a check and then we're going to solve this," right? Rather, we're going to take some direct action. And so we started the American Connection Project.

HOFFMAN: This project's mission is right in the name. They're working to bring long-term digital inclusion to rural communities. The solutions are often scrappy – in some cases, it's as basic as standing up Wi-Fi in a parking lot.

FORD: We've turned on 3,000 rural free Wi-Fi locations where you can pull up outside of a manufacturing plant, a bank, you can get access, and you can finish your homework, you can access a doctor. And so we're not about, "Let me just advocate for policy," we want to take action right now, and that's what we did.

HOFFMAN: In fact, this project is going to have direct impact on our farmer friend, Lukas Fricke.

FRICKE: Quick Beth Ford shout out. I literally am going to get better internet from her in the next couple of months because of her American Connection Corps project. This interview that we're doing right now, I just had to drive 30 minutes so I could have a consistent Zoom connection to be able to talk with people.

HOFFMAN: Lukas needs connectivity for more than just talking with nosy podcasters.

FRICKE: I'm in an area that uses irrigation. We need connectivity because I want to put soil and moisture probes out in my field.

I have quite a distance between some of our farms. I think the longest one's about 25-some miles in between two fields, and both are irrigated. If I'm out in one location, a storm could pass through, drop an inch of rain. All of a sudden my soil profile fills up, and I'm running water.

HOFFMAN: With better connectivity, Lukas could shut down his irrigation pivot remotely when it rains. (That's the big, wide, airplane-looking contraption that spins in a circle, spraying gallons and gallons of water onto a crop field.)

FRICKE: What does that do? I save water. I reduce erosion so my pivot isn't running out there, running water off because now that soil surface is full. I don't need to be using any more carbon. In the end we save environmentally, we save cost-wise, and we save my time. And so, that's where we need reliable connectivity out here, and we need it a little bit quicker than what most people think.

HOFFMAN: It's a wild ride between butter and broadband, isn't it? But you can't sustain one without building the other. No matter what your industry, you're not obligated to scale just vertically or just horizontally. You need to scale strategically in a way that keeps you able to survive a head-on collision with the competition, and able to protect the ecosystem around you.

FORD: I'm such a passionate advocate for this because it is in all of our best interest. We have a shared destiny, whether you're in rural or urban areas, and it feels like we forget this.

HOFFMAN: Entrepreneurship often feels like Titanic vs. iceberg. Most of the time, we strive to be the iceberg. And sometimes you can't help but feel like the Titanic, careening toward your obstacle just a little too late. But the more ballast you give yourself, the better your chances for staying afloat.

I'm Reid Hoffman. Thanks for listening.