

**BUSINESS
RETENTION
&
EXPANSION
Strategies
Program**



**RICE AND STEELE COUNTIES
AGRICULTURE BUSINESS RETENTION &
ENHANCEMENT PROGRAM**

**Summary Report
November 2001**

Local sponsors:

Rice County

Steele County

The Initiative Fund of southeast and south central Minnesota

Steele County American Dairy Association

University of Minnesota Extension Service –

Rice and Steele Counties

**Department of
Applied Economics**



**University
of Minnesota**

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Extension
SERVICE

Rice and Steele Counties Agriculture Business Retention and Enhancement Program

Farming in Rice and Steele Counties continues to make up a smaller and smaller proportion of the region's economy. Yet residents of the counties are concerned about how they may preserve farming as a business enterprise, a lifestyle, and as a large component of a beautiful countryside. Rice and Steele Counties are under pressures of urbanization that threaten the very existence of a farming culture.

Business Retention and Enhancement (BR&E) can provide a method of community economic development that involves local citizens in helping the local farms survive and thrive. Community leaders in Rice and Steele Counties saw the problems jointly faced by the two counties and decided to launch the Rice and Steele Counties Agriculture Business Retention and Enhancement Program.

Objectives

The survey instrument contained the program mission statement and objectives as written by the Leadership Team:

The Rice/Steele Business Retention and Enhancement Program will assess and seek to solve immediate and long-term concerns of agricultural producers in Rice and Steele Counties. To accomplish this, we will:

1) Identify a range of options for long-term survival of agriculture in the two counties.

2) Identify and capitalize on the strategic advantages of Rice and Steele Counties.

3) Retain, strengthen and develop agricultural enterprises to enhance the local economy.

4) Find creative solutions to old problems.

Program Sponsors

The following organizations are the local sponsors of this program: Rice County, Steele County, The Initiative Fund of southeast and south central Minnesota, Steele County American Dairy Association, and the University of Minnesota Extension Service – Rice and Steele Counties.

History of the Program

The Rice and Steele Counties Agriculture BR&E Program started in October, 2000 with a presentation about the BR&E Strategies program to a group of citizens concerned about agriculture in Rice and Steele Counties. Jackie Getting, BR&E Consultant, certified by Business Retention and Expansion International, and Extension Educator in Steele County, made the initial presentation. In November a follow-up meeting was held with Richard Levins and Michael Darger from the University of Minnesota Department of Applied Economics. In December the decision was made to apply to the University of Minnesota BR&E Strategies Program and a Leadership Team was recruited to lead the BR&E project. Funds to pay the University fee and local costs were subsequently raised from Rice County, Steele County, the Initiative Fund of

southeast and south central Minnesota, and the Steele County American Dairy Association.

In January, 2001 Jackie Getting submitted the application to the BR&E Strategies Program. The application was approved and the Leadership Team proceeded quickly to select the farms to visit and to recruit the Task Force volunteers. The Leadership Team decided to target a cross sector of the farm community in both Rice and Steele Counties. The Leadership Team created a new survey instrument with assistance from Daniel Haar, Richard Levins, and Michael Darger, of the BR&E Strategies Program. The Leadership Team tested it with visits to two farms.

In January, 2001 the Leadership Team conducted the first meetings of the Task Force. The members learned about BR&E techniques, reviewed the survey, and discussed the selection process for the farms to be visited. Then, visitor training was conducted to teach task force members how to effectively conduct the producer visits. They were then sent forth with the goal of conducting 100 farmer interviews total.

From February through May of 2001, members of the Leadership Team and Task Force, and volunteer visitors conducted 68 farm visits for a 68 percent response rate. Prior to the visits, the Leadership Team sent copies of the survey to the farms. Visitors worked in teams of two and took responsibility for arranging and conducting the interviews.

After the surveys were completed and returned, the BR&E Task Force met to review each one and decide on how the immediate follow-up should be handled.

While the University of Minnesota prepared the research report, the Task Force responded to specific requests and concerns from the farms visited (i.e., “red flags”).

The BR&E Leadership Team sent copies of the surveys to the University of Minnesota BR&E Strategies Program for tabulation and analysis. Julie Schuch and Jared D. Cruz entered the data into a spreadsheet. Daniel Haar and Richard Levins analyzed the data and prepared a summary for the campus review meeting. At the campus review meeting, a team of 12 (listed later in this section) reviewed the results and suggested projects that might respond to the farmers’ needs. Daniel Haar, Richard Levins, and Michael Darger then drafted a research report based on the input of the campus review panel and other ideas.

The task force retreat took place on June 27, 2001. At this half-day meeting, the research team presented the research report to the Task Force and Leadership Team. The Task Force and Leadership Team decided which projects their program would sponsor.

Following the retreat, the Task Force and/or the project groups meet with individuals from outside the Task Force who might have projects similar to theirs.

The community commencement meeting is the meeting to celebrate the end of the visitation and planning phase and the beginning of the implementation phase. This is a community-wide event. All of the Task Force members, volunteer visitors, and farmers are invited. Other local government, business, and community leaders are invited, as well

as regional and state agency representatives.

After the community commencement meeting, the Task Force meets quarterly to discuss progress on the projects and how they might overlap. Each project work group reports on their progress and solicits input from other Task Force members. Often Task Force members from outside a project work group are able to offer excellent suggestions or assist in some aspect of the project.

People Involved in the Rice and Steele Counties BR&E Program

Leadership Team Members

Mark Bartusek, Ag Producer
Brad Carlson, University of Minnesota Extension Service-Rice County, BR&E Media Coordinator
John Connaker, Wells Fargo Bank Minnesota South
Jackie Getting, University of Minnesota Extension Service-Steele County (formerly), BR&E Consultant
Bruce and Mary Larson, Retired Dairy Farmers, BR&E Visitation Coordinators
Mary Beth Rogers, Rice County Commissioner
Ron VanNurden, Riverland Community College, BR&E Business Resources Coordinator and Milestone Meeting Coordinator

Task Force and Volunteers

Several community leaders participated as Task Force members. This group addressed red flag issues and will set priorities for action and implementation

of selected projects. Task Force members also participated in farm visits. In addition to the Leadership Team and Task Force, an additional group of community members participated in farm visits. These visitors participated in the two-hour training program and visited two to four farms each.

Steve Albers, Producer
Clarence Anderson, Hoysler & Associates
Tim Arlt, University of Minnesota Extension Service-Steele Co.
Dan Arndt, Steele County Soil & Water Conservation District
Ben Bartusek Jr., Producer
John Bonde, Producer
Brad Carlson, University of Minnesota Extension Service-Rice Co.
John Connaker, Wells Fargo Bank Minnesota South
Barb DeMars, Vegetable Grower
Dan Deml, Dairy Farmer
Mark Dietz, Pioneer Hybrid Seed
Jeff Docken, Producer
Steve Drewitz, Producer
Bob Duban, Producer
Willard Estrem, Retired Producer
Jackie Getting, University of Minnesota Extension Service-Steele Co. (formerly)
Steve Graff, Community Bank Minnesota
Kim Halvorson, Turkey Grower
Donna Ihlenfeld, Hog Producer
Gary Joachim, Producer
Vern Koester, Retired Producer
Bruce Larson, Retired Dairy Farmer
Mary Larson, Retired Dairy Farmer
Cathy Larson, Producer
Paul Liebenstein, Dairy Producer
Barb Liebenstein, Dairy Producer
Mace McNutt, Wells Fargo Bank Minnesota South
Dan Morris, Producer

Julie Mussman, Dairy Farmer
Les Oeltjenbruns, Retired Farmer and
Retired Steele County Commissioner
Rusty Paulson, Steuart & Armstrong
Consulting
Bruce Peterson, Producer
Tom Roach, Producer
Mary Beth Rogers, Rice County
Commissioner
Tom Sammon, Producer
Jim Schafer, Interstate Mills
Keith Schrader, Producer
Cindy Terpstra, Hog Farmer
Dennis Uittenbogaard, Producer
Ron VanNurden, Riverland Community
College
Nina Zak, 4-H Volunteer
John Zimmerman, Producer

Farms Visited

The Leadership Team, Task Force and volunteers visited a total of 68 farms in the interview process. The communities of Rice and Steele Counties wish to thank all of these farmers for their willingness to help understand the needs of existing farms in the region. A list of the farmers who participated is included at the end of the report.

Campus Review Team

This team reviewed the tabulated survey results and suggested potential actions that might be taken by Rice and Steele County leaders in response to local farmers' concerns. The participants were:

Brad Carlson

University of Minnesota Extension
Service-Rice County

Michael Darger

Business Retention & Expansion
Strategies Programs, Department of

Applied Economics, University of
Minnesota

Jackie Getting

University of Minnesota Extension
Service-Steele County (formerly)

Lisa Gjersvik

Minnesota Agricultural Utilization
Research Institute

Daniel Haar

Department of Applied Economics,
University of Minnesota

Les Heen

Minnesota Farmers Union

Gerald Heil

Minnesota Department of Agriculture

Richard Levins

Department of Applied Economics,
University of Minnesota

Barb Liebenstein

Dairy Producer

Mike Schmitt

Dean's Office of the College of
Agricultural, Food and Environmental
Sciences,

University of Minnesota

Stewart Shelstad

Farm Service Agency

Ron VanNurden

Riverland Community College

Research Method

A survey was completed for 68 farms. Outside resources were used for background material. These included:

- "Rice County Agricultural Profile 2000" and "Steele County Agricultural Profile 2000," documents prepared by the Department of Applied Economics, University of Minnesota
- U.S. Census statistics
- Regional Economic Information System, web information

provided by the Bureau of
Economic Analysis

development, farmers will find it more
difficult.

Research Highlights

**Farming in Rice and Steele Counties is
Traditional**

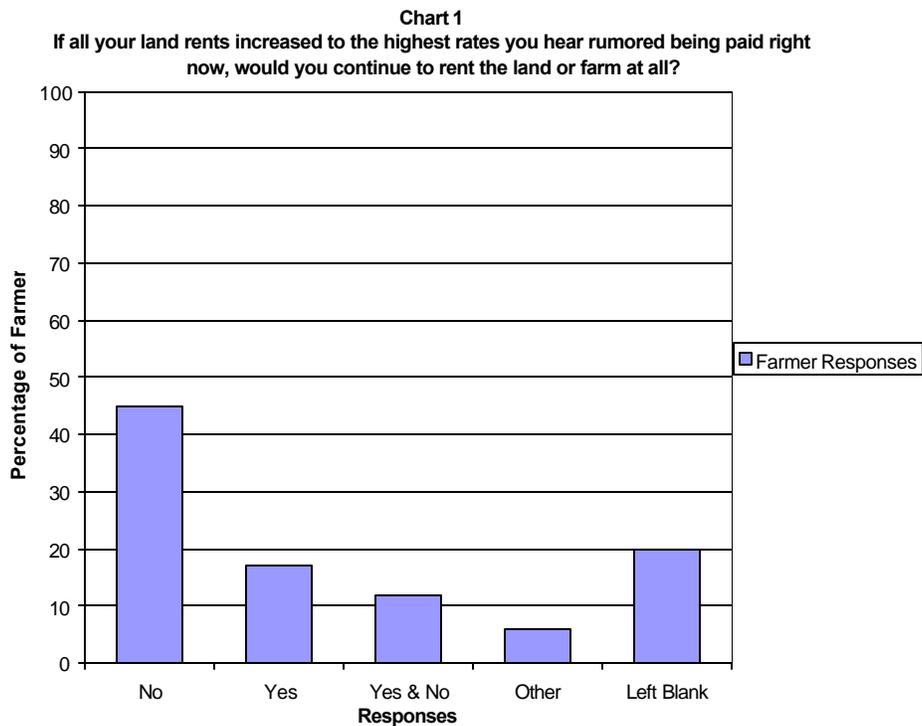
The farmers in Rice and Steele Counties are a rather traditional lot. For the most part, they grow commodity cash crops or raise livestock. 82 percent of the farmers interviewed grow corn as a major crop and 70 percent grow soybeans as a major crop. This reliance on few crops can be problematic. With a less diverse crop mix, farmers are more open to risk. A disease, or a sharp fall in the price of one commodity, may cause a significant and devastating loss of revenues. Secondly, the growing of corn and soybeans can be problematic in an urbanizing area such as Rice and Steele Counties as it generates relatively little profit per unit of land. Thus, to make a decent profit, corn and soybean farms must be relatively large. With falling commodity prices, such as has happened since 1997, farms must grow to maintain their profits. When there is a large demand for land for competing purposes, such as housing and commercial

Related to growing a traditional crop mix, the farmers in the survey showed mixed responses to various alternative options to enhance their operations. There was significant involvement and interest in value-added cooperatives, forming business partnerships, and direct marketing. Yet only 16 percent of the farmers indicated that they were either “seriously interested” or “already involved” in organic production, as well as 19 percent for on-farm processing, 16 percent for agri-tourism/recreation, and 13 percent for alternative livestock. The major reasons for opposition to adopting new practices were that the farmers felt that these practices were too labor intensive, too risky, and took too much time. An added reason for opposition to agri-tourism was that some farmers did not want other people around the farms. Though urbanization presents certain threats, there are also various opportunities that it creates (Table 1).

A growing population of relatively wealthy inhabitants can open up new markets for farmers, if those farmers are willing to explore different options.

Table 1: Farmer interest in alternative practices

| 24. To what degree are you interested in augmenting or changing your operation by undertaking the following practices? | | | | |
|--|-------------------------|-----------------------------|--------------------------|-----------------------|
| | <i>already involved</i> | <i>seriously interested</i> | <i>mildly interested</i> | <i>not interested</i> |
| Value-added cooperatives | 27% | 29% | 27% | 14% |
| Forming business partnerships | 17% | 24% | 36% | 21% |
| Direct marketing | 20% | 18% | 35% | 27% |
| Organic production | 8% | 8% | 38% | 47% |
| Alternative livestock production | 5% | 8% | 30% | 58% |
| On-farm processing | 5% | 14% | 21% | 61% |
| Agri-tourism/recreation | 8% | 8% | 21% | 64% |



Farmers’ Concern Over Urbanization

One issue that came through loud and clear from the survey is the apprehension that farmers in Rice and Steele Counties have about the urbanization of their region. The farmers were largely concerned that the non-farm population does not truly understand the needs of the farmers. Furthermore, the farmers perceived a lack of concern from various residents of the region for farm survival. Whether or not local non-farm residents actually care about farm interests, this perceived lack of concern highlights a growing tension between farm and non-farm interests. Local non-farmers are a relatively large potential market opportunity, yet this tension could prove to be a serious barrier to realizing that potential.

An issue that relates to the urbanization of Rice and Steele Counties is that of zoning. The farmers surveyed gave high ratings to community services such as

schools, recreational facilities, etc., but planning and zoning and building codes received fairly low marks.

Increasing Land Scarcity in the Region

One of the largest problems for farmers that arise in an urbanizing setting is the increasing scarcity of land. With an increasing population and growing economy, competing pressures on land will drive up the rental rate on land. For crops that have little profit margin, this increased rental rate can be disastrous. The survey confirms this conclusion, as 45 percent of respondents said they would stop farming if land rental rates went up to the highest possible rumored rates (Chart 1).

Accordingly, availability of farmland was the business factor that received the lowest marks. While the possibility of high land rental rates is a real issue, one comforting fact is that most landlords are

local. While the average number of landlords per farm was 3.91, the average number that lived in Rice and Steele Counties was 3.55. With most landlords living nearby, rents paid by farmers are more likely to benefit the local economy.

The problem of increasing land rates is especially a problem in Rice and Steele Counties due to the large amount of land that is rented by farmers. On average, the farmers surveyed owned 266 acres and they rented 441 acres. Thus, nearly two-thirds of all land farmed in Rice and

Steele Counties is rented. This is an important area of concern in the BR&E project. Land rents are the largest single expense to corn and soybean farmers.

Concern for Competitive Markets

One of the results of the survey was the extent to which farmers felt either mistrustful of agribusiness interests or felt an open antagonism to them. Farmers viewed agribusiness interests with mistrust as 36 percent responded that they believed that agribusiness interests “don’t care at all” about them. Many farmers also believed that lack of competition among buyers and among input suppliers was a problem (see Chart 2).

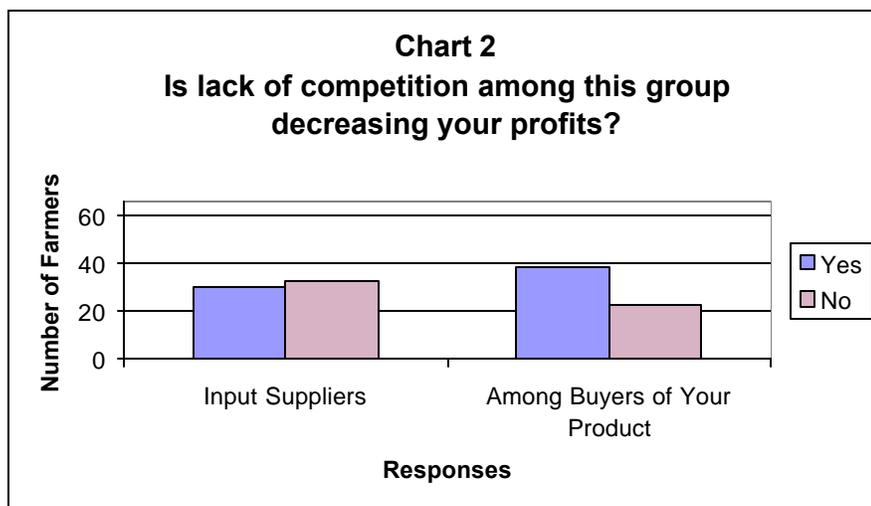
These answers highlight the serious concern that farmers have over the market structure.

Farmers are intimately linked with agribusiness, relying on them as suppliers of vital inputs such as seeds, machinery, and chemicals, and as buyers of their products, such as corn, soybeans, meat, and poultry. Insufficient competition, caused by relatively few large players in a market, can give agribusiness corporations an unfair advantage when bargaining with farmers. This situation can cause farmers to pay high prices on inputs and to receive low prices on their products, both of which reduce farmers’ profit margin.

Off-farm agribusiness interests are assuming a larger role of management in farms in Rice and Steele Counties. Thirty-three percent of farmers responded that they were already growing some crops or livestock under contract for an agribusiness corporation.

Increased Cost of Healthcare

Healthcare is becoming increasingly expensive. This increased cost can make it difficult for farmers to hire the labor



they need for their operations as well as supporting their own healthcare costs. The survey reflected this trend, as 71 percent of the respondents thought that increased healthcare cost posed a potential threat. This is second as a perceived threat only to mergers among agricultural supply companies. The inability to afford healthcare on farm income alone can be one of the largest reasons to seek off-farm employment, thus eroding the traditional farm life.

Lack of Good Market Access

The inability to find adequate markets for farm products is an important reason why farmers receive low prices. When there are more buyers competing with each other, this can drive prices up, meaning that farmers will receive a greater revenue. While fewer than half of those surveyed answered that lack of adequate markets is a problem, this still represents a considerable share of the farm community. And, as already noted, many farmers interviewed thought that lack of competition among buyers of their products was a problem (Chart 2).

Strategies and Priority Projects

The BR&E Research Report listed three strategies of the Rice and Steele County program, under which were collected a number of potential projects per strategy. The three strategies were: 1) increased cooperation among farmers, 2) diversification of agricultural enterprises, and 3) increased communication and cooperation between farm and non-farm communities. At the Task Force Retreat, the Leadership Team and Task Force voted to move ahead on two projects.

Strategy One: Increased Cooperation among Farmers.

Farmers value their independence. Through cooperation they can strengthen their community ties without losing this valued position. Farmers, whether crop, vegetable, or animal, all face common dilemmas, to which there may be common solutions. Cooperation between farmers can facilitate sharing of new ideas and practices. Farmer cooperation can also lead to cooperative bargaining strategies that put farmers in better strategic positions to gain higher product prices and lower input costs.

Priority Project #1: Form a Healthcare Education Program

Many farmers have serious difficulties meeting their health care needs. It is a large expense for farmers, and often hard to meet. Yet this problem does not necessarily result from lack of options. Often, there are programs available to help farmers meet their healthcare needs, but there is little information available about these options. In this light, the Rice and Steele Counties BR&E program has decided to create an educational initiative dedicated to collecting information on all options that farmers have for inexpensive healthcare, and to distribute this information to the farmers.

From the BR&E Task Force, Barb DeMars, Bruce Larson, Mary Larson, Kim Halvorson, Rusty Paulson, Cindy Terpstra, and Steve Graff are coordinating this project. Please contact one of them if you would like information regarding the project or would like to participate.

Strategy Two: Diversification of Agricultural Enterprises

Farms in Rice and Steele Counties are fairly homogeneous. Creating more diversity could be a good thing, helping to minimize risk. Not only can farmers benefit from diversifying their products, but they can also benefit through diversifying the markets that they sell their products to. Having more options should allow farmers to find a higher possible return on their products. Particularly, farmers might look into alternative enterprises that are appropriate for areas where land is a scarce resource. Many farmers remarked that the reason they would not want to consider direct marketing, organic production, and other alternatives was that they were labor-intensive. While it may be true that these alternatives are more labor-intensive, farmers need to recognize economic reality if they are to form viable business plans.

Strategy Three: Increased Communication and Cooperation Between Farm and Non-farm Communities

For agriculture to remain an integral part of Rice and Steele Counties, non-farmers and farmers must work together to create a vision for agriculture. Non-farmers are not just the neighbors of farmers, but are consumers of farm products. Cooperation between farmers as a whole and the non-farm community can bring various benefits. First of all, it helps farmers to learn about specific desires that their communities have concerning the farms, which can help farmers in local marketing strategies. Conversely, this cooperation can help non-farmers

understand the problems facing farmers in their communities.

Priority Project #2: Preserve Farmland

Farmland in urbanizing regions is endangered. Many people value living in a region of traditional farming, yet have few ways to protect their land from the encroachment of urban development. Counties have arrived at different solutions to this problem, such as buying up development rights, changing zoning laws, and creating land preserves. As a priority project the Task Force has decided to form a study team to explore strategies for agricultural land preservation.

From the BR&E Task Force, Steve Albers, Willard Estrem, Brad Carlson, and Mace McNutt have volunteered to coordinate this project. Please contact one of them if you have questions regarding the project or would like to participate in the project.

Farmers Visited in the Program

Dennis and Barb Ahlman
Brian and Lisa Ahrens
Steve Albers
Rick and Cathy Balzer
Kenneth Boese
Gary Bonde
Phil and Dawn Brossard
Jon Brower
Dennis and Mike Brown
Les Christofferson
Louade Degen
Gerald DeMars
Bob and Shelly Deml
Mark Dittlevson
Dave Estrem
Mike Groth

Brad and Allyson Hagen
Kim Halvorson
Randy Hanson
Craig Holden
John Ihlenfeld
Jerry Ingvalson
Greg Jandro
Dan and Mary Jirele
Glenn and Debbie Johnson
Clark Kaisershot
Pete Kasper
Ronald and Kay Keller
Paul Knutson
Rene D. Koester
Robert Kuball
Rod Langer
Ray and Jean Matejcek
Daniel Melchert
Roger Meyer
Dan Morris
Mike and Julie Mussman
Keven Noble
Bruce Peterson
Jim and Jan Pfeifer
Shirley Pfeifer
Ray and Bridget Pieper
Jeff and Cheryl Ptacek
Larry Richie
Bob Ruddle
Wayne and Ron Saemrow
Keith Sammon
James Schmitz
Howard and MaryJo Schoenfeld
Keith and Carol Schrader
Eric Schrader
Larry Schultz
Leo Seykora
Bill Souba
Doug and Jodi Starks
Scott Story
Reid Stransky
Bob Swedberg
Mark and Deborah Treka
John and Lisa Tuerk
Don Vogt
George and Karen VonRuden

Tom Wavrin
Brian Wayne
Tom and Karen Wencil
James Wendland
Jerry Zeman
John Zimmerman

Additional Information: See the Rice and Steele Counties Agriculture Business Retention & Enhancement Program Research Report, June, 2001, for this project. Copies are available for review at the county Extension offices or from a Task Force Member.

Your Role: Everyone in the community can help retain and expand existing farms. To explore how you can help, check with the individuals on the project teams for the two priority projects.



Prepared by: The Task Force, listed on pages 3-4, selected the priority projects. This summary report was written by Daniel Haar, with assistance from Richard Levins and Michael Darger, all from the Department of Applied Economics, University of Minnesota. This publication is available in alternative formats upon request. Please contact Michael Darger at (612) 625-6246.

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