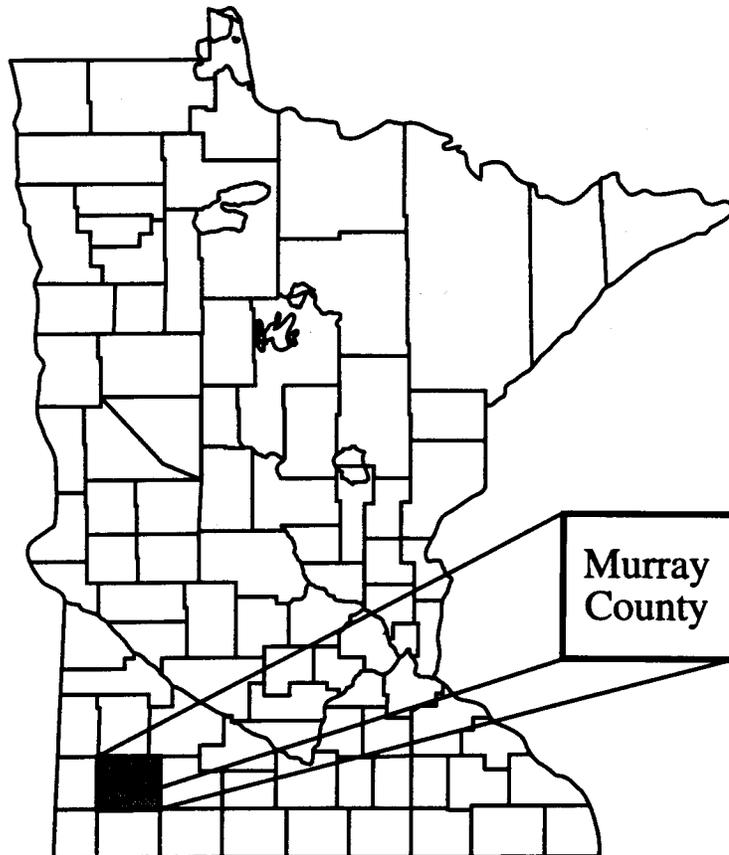


# Murray County Swine Industry Business Retention and Enhancement Program - 1994

## EXECUTIVE SUMMARY



### State Sponsors:

Minnesota Department of Trade and Economic Development  
Minnesota Extension Service, University of Minnesota  
Minnesota Pork Producers

### Local Sponsors:

Murray County Pork Producers  
Minnesota Extension Service, Murray County  
Murray County Economic Development Office

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## EXECUTIVE SUMMARY

**Goals of the Murray County Swine Industry Business Retention and Expansion (BR&E) Program:** This program was sponsored locally by the Murray County Pork Producers, the Minnesota Extension Service-Murray County, and the Murray County Economic Development Office. The goal of the program was to help pork producers, community leaders, and agribusiness leaders develop action plans to strengthen the county's swine industry. This was done by visiting a sample of 84 pork producers in the spring of 1994 by a team of 75 community leaders. Each team completed a two-hour orientation on effective interview procedures to ensure high quality of data. The Murray County swine BR&E leadership team included:

Jerry Blankers, pork producer  
Larry Henderson, banker  
Bob Klinge, economic development director  
Bob Koehler, extension educator  
Lennen Nelson, pork producer and  
county commissioner  
Karen Tommeraasen, extension educator  
Clayton Torbert, veterinarian

After the data was collected, the results were compiled by George Morse and William Lazarus, extension economists at the University of Minnesota. Then a team of industry specialists reviewed the results and developed suggested recommendations for the local task force. This suggested recommendations panel included:

Brian Buhr, Dept. of Agricultural and Applied  
Economics, University of Minnesota  
John Gohl, president, Agr/Nutrition Services  
Theresa Heiland, BR&E Strategies Program,  
University of Minnesota  
Bob Koehler, MES - Murray County  
Wayne Marzolf, MN Rural Finance Authority  
Bruce Montgomery, MN Dept. of Agriculture  
Gerald Shurson, Dept. of Animal Science,  
University of Minnesota  
Karen Tommeraasen, MES - Murray County

The Murray County BR&E task force held a four-hour retreat on August 23, 1994, at the

Country Host Restaurant in Slayton. After reviewing the research results and discussing the suggested recommendations, the task force developed the recommendations shown in this Executive Summary. The BR&E task force included:

Roger Asplin, Slayton  
Brad Bergerson, Slayton  
Jerry Blankers, Lake Wilson  
Jim Bose, Slayton  
Gary Brinks, Garvin  
Karen Bruxvoort, Chandler  
Charles Casey, Dovray  
Craig Christensen, Slayton  
Joe Diedrich, Iona  
Nels Forsberg, Slayton  
Arnie Guild, Slayton  
Loren Heintz, Fulda  
Larry Henderson, Slayton  
Lynn Herrmann, Avoca  
Bill Hunter, Slayton  
Randy Jorgenson, Slayton  
Bob Klinge, Slayton  
Bob Koehler, Slayton  
Howard Konkol, Jr., Slayton  
Larry Laleman, Currie  
Tom Mesner, Chandler  
Rick Miller, Garvin  
Bob Moline, Garvin  
George Morse, St. Paul  
Lennen Nelson, Balaton  
Brad Oeltjenbruns, Hadley  
Tim Ramerth, Pipestone  
Dave Rentschler, Slayton  
Hub Sandman, Slayton  
Doug Schmitz, Slayton  
Scott Schwartz, Garvin  
Dave Schreiber, Slayton  
Matt Surprenant, Tracy  
Ralph Surprenant, Jr., Tracy  
Jay Takle, Westbrook  
Karen Tommeraasen, Slayton  
Clayton Torbert, Slayton  
Kevin Vickerman, Tracy  
Case Vos, Hadley  
Gordon Vosberg, Westbrook

## SURVEY RESULTS

Highlights of the survey are presented below. Full details are available in a workbook available for loan from the Murray County office of the Minnesota Extension Service.

**Average Size by Enterprise Type:** As shown in Table 1, over half (57%) of the producers were farrow to finish operations. These farms averaged 105 sows. Finishing operations accounted for 25 percent of the producers in the survey, with an average size of 890 hogs. Generally, the farrow to finish and the farrow to feeder pig enterprises were a little larger than the average operation in the county, while the finishing operations surveyed were a little smaller than those in the county.

Table 1. Avg. Size by Enterprise Type, Murray County, 1994

Enterprise Type	Percent --- average size of producers ---	Farm Sample	Entire County*
Farrow-finish (sows)	57	105	80
Farrow-feeder pig (sows)	13	83	78
Finishing (hogs)	25	890	929

\* Estimated for the entire population of swine producers in the county by weighting the three sampling groups to reflect the same proportions as in the population.

Source: Question 4.

**Employment on Pork Farms:** Murray County's swine industry is currently an important source of local employment. When the results are projected to all pork producers in the county, there are 409 jobs in the swine enterprises, with 222 of these being full-time jobs and 187 being part-time jobs (Table 2). This is equivalent to 303 full-time positions. This means that pork producers employ between 8 and 10 percent of those employed in the county.

Table 2. Total Number of Workers on Swine Enterprises, Murray County, 1993

Type of Worker	Farm	Swine	Total Enterprise % of Total Farm
Full-time workers	228	222	97
Part-time workers	201	187	93
Total	429	409	95

Source: Question 8.

## STRATEGY ONE: ASSIST PORK PRODUCERS IN GAINING ACCESS TO FINANCING

**Overview:** In order to remain competitive, Murray County producers will probably need to make major new capital investments in facilities in order to utilize technologies such as all-in, all-out pig flow, and split sex feeding. In most cases, new financing will be required for such investments. The BR&E task force will explore the availability of existing financing and programs to help producers understand which might be most advantageous.

### Research Results Related to Strategy One:

During the past three years, more local producers have expanded their operations than have declined. Forty-three percent of the farrow-finish and feeder pig producers expanded their sows versus 10 percent declined. Fifty-two percent expanded the number of feeders, compared to only 9 percent that cut back. Further, 40 percent reported that they were not satisfied with the current size of their operation. Over 42 percent of the producers plan to expand their operations during the next five years.

Of those planning to expand, 91 percent see pork production as a better opportunity than crops or other enterprises. Almost three-fourths of those planning to expand are upgrading their facilities so that they can reduce their costs of production. Not quite half (42%) of those planning to expand are doing this so that they can add/bring another person into the operation.

Insufficient capital was viewed as a problem by 91 percent of those planning to expand during the next five years (Table 3). Thus, it is not surprising that 85 percent of the producers planning to expand listed this as an obstacle. The next concern is "feedlot regulations or odor complaints," with about half mentioning this.

Table 3. Obstacles for Expansions Among Producers that Plan to Expand During Next Five Years, Murray County, 1994

Obstacles to Expansion	Percent of Producers Planning to Expand
Insufficient capital	91
Limited capacity of facilities	85
Feedlot regulations or odor complaints	48
Difficulty recruiting labor	9
Insufficient land for manure	6
Don't want to manage more employees	6

**Task Force Recommendation 1. Encourage producers to improve their record systems.**

Successful pork producers of the future will likely see themselves more as managers and less as laborers than in the past. Just as the three most important factors in real estate are "location!, location!, and location!," the three most important keys to running a modern swine operation are probably "records!, records!, and records!"

Records are essential to producers themselves, for planning and control. Records are also essential for documenting repayment capacity to lenders.

Only 38 percent of the producers rate their production and financial records as strengths of their operations. Apparently, producers already see the need for improvements in this area.

The task force will explore several means of encouraging producers to improve their records. The task force will explore the availability and adequacy of educational programs on record systems and other aspects of business and financial management, such as the existing adult farm management programs.

**Task Force Recommendation 2. Explore the possibility of longer term fixed rates on capital financing loans.**

One of the primary obstacles facing producers borrowing for long-term capital loans is that the terms are often for only five years. To provide greater certainty, the producers would like to see a longer term (say ten years).

To achieve this goal, it might be necessary to use some of the government loan programs. Thus, pork producers will need good records and be willing to complete some of the paperwork involved. A related suggestion which will be considered is that producers that complete the "Pork College" or similar educational programs would receive better terms than those that do not. The rationale for this is that there is likely to be less risk when the producer has a stronger background.

The task force could explore ways to publicize these sources and the major criteria used by each.

**STRATEGY TWO: HELP PORK PRODUCERS EARN HIGHER INCOMES BY LEARNING NEW PRODUCTION AND MANAGEMENT TECHNIQUES**

**Overview:** Murray County pork producers are facing increasing competition by expanded production in other parts of the nation. As this increases, the location of processors is shifting to those areas. To maintain the regional processors, producers are facing increasing pressures to reduce their costs of production. On the demand side, consumer trends toward leaner meats is promoting processors to offer premiums for high quality lean carcasses. A number of agencies have educational programs which can help producers adopt new production and management techniques to reduce their costs and improve their net incomes. The BR&E task force can facilitate the use of these programs by making local producers aware of them.

**Research Results Related to Strategy Two: Past Changes in Operations - Murray County producers have been changing their operations over the past three years. With the exception of the number of employees, less than**

half of the producers surveyed stayed the same on other key business factors (see full report for details).

**Weaknesses in Operations** - Producers felt there were a number of ways that their operations could be further improved. When asked to list the strengths and weaknesses of their current operations, they listed facilities and site engineering, size, production and financial records, business planning, marketing, and finishing as the six weakest areas (Table 4).

Table 4. Weaknesses and Strengths in Production, Murray County Pork Producers, 1993

Production Aspect	Weaknesses ----- % of producers -----	Fair	Strength
<b>Relatively strong aspects:</b>			
Boar selection	3	19	78
Farrowing	7	17	75
Feeding and nutrition	6	21	73
Gilt selection/purchase	6	21	73
Disease reduction	10	24	66
<b>Moderately weak aspects:</b>			
Nursery	13	23	64
Finishing	16	24	60
Manure handling and storage	10	36	54
Labor and time management	12	35	53
Business planning	20	29	51
Marketing	19	30	51
Pig flow planning	9	41	50
<b>Weak aspects:</b>			
Input purchasing	11	42	47
Breeding	10	45	45
Prod. and financial records	25	37	38
Size	35	31	34
Facilities and site eng.	34	35	31

Source: Question 15.

**Task Force Recommendation 1. Encourage pork producer participation in educational programs to enhance production and management techniques.**

The task force will encourage participation by Murray County producers in the "Pork College." The "Pork College" is an intensive training session that helps producers build their management expertise. The task force will also explore means of delivering educational programs on facilities and site engineering.

**STRATEGY THREE: INCREASE COMMUNITY'S ABILITY TO SUSTAIN STRONG SWINE INDUSTRY**

**Overview:** The public's understanding and support of the swine industry can make an important difference in Murray County's ability to sustain a strong swine industry. There are three major aspects to the community's ability to help this industry. First, the public needs to understand the market forces and technological changes facing local swine producers and the implications for both those producers and the local economy. Second, the public needs to understand environmental issues related to the swine industry so that there are realistic expectations and regulations. Third, local governments need to appreciate the public service concerns of pork producers. Thus, local governments need to demonstrate that they appreciate the economic contributions of the swine industry and are responsive to their public service needs.

**Research Results Related to Strategy Three:**

Murray County lost over 16 percent of its population from 1980 to 1990, one of the largest losses in southwestern Minnesota (*Rural Investment Guide*, 1993). Due to the county's location, agriculture is likely to be a key to its economic growth.

**Changes in Market and Technology** - Swine production, while an important part of Murray County's agriculture, has not grown over the past decade. Yet, Murray County producers are changing their production methods in a number of ways. Over half of the producers see the following trends as threats to swine production in Murray County: growing concern with the environment and land use planning, new pork production outside the corn belt, growth in larger sized operations, increasing average age of producers, competition from the poultry industry, and changes in the packing industry. Yet, at the time of the survey, over 40 percent of the producers wanted to expand the size of their operations.

**Public Attitudes Toward Swine Industry** - The survey provides pork producers' perceptions of the public's attitude toward their industry. These perceptions, whether accurate or not, are likely to have some influence on young people deciding

whether or not to go into the industry. As shown in Table 5, the majority of local businesses, local government officials, and non-pork producing farmers are perceived as positive toward the swine industry. Yet, fairly large numbers of these groups are indifferent to the industry. About one-fourth of the rural non-farm residents and city residents are negative toward the industry and nearly half are indifferent.

Table 5. Attitudes Toward the Swine Industry, Murray County Pork Producers, 1993

Community Group	Negative -----% of group	Indiff.	Positive
Main street businesses	15	25	60
Local government officials	11	39	50
Farmers (not pork producers)	13	35	52
Rural non-farm residents	25	47	28
City residents	29	46	25

Source: Murray County Swine Industry Business Retention and Enhancement Survey, 1993, Questions 18 (weighted results).

**Community Services** - In general, pork producers in Murray County rated community services very high. Yet, five aspects had less than 60 percent of the producers rating them as excellent to good (day care, road maintenance, building codes, recreational facilities, and planning and zoning).

**Task Force Recommendation 1. Build a community consensus to support the Murray County swine industry.**

Given Murray County's location and other economic development opportunities, the swine industry might be one of its better economic development options. Unlike areas nearer larger urban areas and recreational areas, Murray County has ample open space. Due to this space, there is less likely to be a problem with odors than in other areas. Yet, pork production will probably always result in some odors, even under the best manure management systems. The community needs to reach a consensus on whether it would like to encourage this industry and is willing to tolerate some odors in order to capture the economic development benefits.

Two specific steps will be explored as a means of achieving a better understanding of the industry. First, a monthly "Ham/Eggs and Issues" breakfast will be held for community leaders working in economic development, local government, education, and the pork industry. This group will hear from a series of speakers on changes in the swine industry and explore the implications for Murray County. The concerns of local producers will also be discussed with community leaders not working directly in the industry.

Second, a series of tours to other major hog producing areas will be developed. The purpose of these tours would be to help both community leaders and producers see the changes that are happening in those areas that are the major competitors for Murray County. This would provide a background for community leaders to make informed decisions on zoning and feedlot ordinances and other programs to sustain a strong industry. It would also provide producers with additional information on new technologies they are considering.

Potential places to visit could range from the more rapidly growing counties in Minnesota (Blue Earth, Nicollet, Rice, Martin, and Jackson) to communities in northern Missouri, Colorado, or North Carolina.

**Task Force Recommendation 2. Develop a county plan on environmental issues.**

Currently pork producers face a confusing picture about proper procedures and practices in manure handling. The regulatory and educational agencies need to communicate more so that farmers can hear the same message from both groups. This would remove some uncertainty on what is required and probably encourage more rapid adoption of approved practices. The development of a county plan on environmental issues would give producers a clearer picture of the requirements that they face and, at the same time, provide the public with some assurances about the environment.

The task force will invite representatives from a variety of agencies to meet to discuss how the development of such a plan would proceed.

#### **STRATEGY FOUR: HELP MURRAY COUNTY PORK PRODUCERS EARN HIGHER INCOMES THROUGH NETWORKING**

**Overview:** Farmers working together to accomplish things that cannot be done as well individually is a long tradition in agriculture. "Networking" is a modern term for various ways in which pork producers are working together.

The BR&E task force could perform an educational role in helping pork producers look at various aspects of different networking arrangements. For example, how would a particular type of arrangement improve profitability for participants? What are the capital requirements and risks? Is there a loss of independence? Would market access for others in the region be affected? Some possible networking arrangements are hog marketing pools, purchasing cooperatives, breeding stock multiplier units, feeder pig cooperatives, and information sharing arrangements such as farm business management associations.

**Research Results Related to Strategy Three: Services Purchased Outside Murray County -** Breeding herd replacements are the type of input least often purchased in Murray County. Hog equipment is another type of input where Murray County suppliers are rated poorly. Several producers listed access to breeding stock and feeder pigs locally as specific concerns. Other producers, however, expressed concerns about larger operations, expansion by coops and other corporations, and outside investors.

The most common change made in the past few years was to build or change nurseries. Related to this, one type of networking arrangement that seems to be attracting quite a bit of attention is for individual producers to build nurseries and contract for newly weaned pigs to be received from a jointly owned central farrowing unit.

A significant number of producers currently buy key inputs and services outside Murray County. Over half of the breeding herd replacement, hog equipment, and accounting services are purchased outside the county. For six of the ten key items, the track record of the supplier (defined as the supplier's reputation for giving high quality products or service) was the most important factor to producers as they selected their primary

supplier. This was particularly important for breeding herd replacement, accounting, feed supplements, complete feeds, and veterinary services. Price was the primary factor for only two items: hog equipment and building supplies. While more than half of the producers rated eight of the ten inputs/services available in Murray County as excellent or good, there is room for improvement in the quality of all of the services. For example, the highest rated item was feed supplements, which received a rating of 86 percent. This means that 14 percent of the producers would rate the quality of feed supplements available in Murray County as fair or lower.

**Task Force Recommendation 1. Encourage formation of informal pork producer information-sharing groups.**

A local pork producer group could share information on a variety of topics, such as computer use, records, genetic evaluation and hedging. Much of the learning would come from sharing information among the group, but outside speakers could also be invited. In addition to personal appearances, outside speakers could be brought in through interactive video, satellite broadcasts, and electronic mail-based conferencing.

## PORK PRODUCERS INTERVIEWED

Steve Anderson	Larry Laleman
Richard Andert	Dean Lanners
George Andert, Jr.	Stanley Larson
Terry Appel	Larry Leysen
Mike Arens	Michael McCoy
Leon Balster	Tom and Ron Mesner
Paul Beech	Dan Mihin
Mark Beek	Dennis Miller
Randy Beek	Jim Moline
Steven Beek	Robert Moline
James Berglund	Lennen and Bill Nelson
Dale Bergman	Eldon Nelson
Jerry Blankers	John Nelson
Elray Blau	Todd Nelson
Jeff Bonnstetter	Gary Olson
Russell Bonnstetter	Dave Overman
Tony Bonnstetter, Jr.	Les Overman
Jim Bose	Marlin Peterson
David Bundy	Raymond Priebe
Duane and Karl Campbell	Melvin Reith
Steve Cohrs	Loren Richardson
Brian Crowley	John and Joe Risacher
Paul DeGreeff	Clint Rolland
Jay Dekker	Kerry Ruppert
Dennis Dierks	Verlin Rylaarsdam
Keith Doeden	Steve Salentiny
Andrew Edmundson	Melvin Schreier
Gordon Edwards	Scott and Roger Schwartz
Carroll Erickson	Larry Smith
Junior Estum	Roy Spielman
John Fransen	Curt Strampe
Vernon Galles	Dennis Swan
Jim and Tom Gervais	Jay Takle
Phil Gervais	Raymond Talsma
Bruce and Branch Haken	Roger Talsma
Loren Heintz	Luther Tostengard
Ed Herrmann	Robert Van Essen
Leo Hofstadter, Jr.	Ron Vander Lugt
Lynn Huge	Henry Vanderlinden
Gerald Janssen	Kevin Vickerman
Tom Keller	David Wagner
Farryl Kluis	Rick Ziemke