

**BUSINESS
RETENTION
&
EXPANSION
Strategies
Program**



SWIFT COUNTY FARM
**Business Retention &
Enhancement Program**

Summary Report
September 1999

Local financial sponsors:

Minnesota Soybean Growers Association

University of Minnesota Extension Service–Swift County

Southwest Minnesota Foundation

**Department of
Applied Economics**



**University
of Minnesota**

UNIVERSITY OF MINNESOTA
Extension
SERVICE



Local In-kind Sponsors:

Swift County Board of Commissioners

Swift County GROW

First Security State Bank

State Bank of Danvers

Agralite Electric Cooperative

Chippewa Valley Ethanol Company

Adult Farm Management Program

Mike and Nancy O'Leary Farm

Al Saunders Farm



Swift County Farm Business Retention & Enhancement Program

Swift County agriculture is in a serious financial crisis. Prices for many farm products are at near-record lows and more and more farmers are thinking about leaving. None of this is good for Swift County. We must, of course, find ways to revive the farm economy in the county. But as daunting as this task might seem, there is even more to do. We must find ways to revive farming in such a way that the local economy benefits. With modern agriculture, the benefits of farming do not always go to local economies, even in the best of times.

Business Retention and Expansion (or simply BR&E) is increasingly being seen as an important local economic development strategy. Swift County leaders recognized the need to do a lot more to help their existing farms survive and succeed. Therefore, they launched the Swift County Farm BR&E Program in 1998. They chose to use the term Business Retention and Enhancement for the project.

Objectives

A vision of agriculture will be created for Swift County and surrounding area to help sustain the local economy and its communities.

- 1) To assess the needs of agriculture producers and agriculture businesses.
- 2) To help solve immediate concerns of agricultural producers and agricultural businesses.
- 3) To explore alternative agriculture ideas, cooperation ventures, and diversity of agriculture production options including livestock.
- 4) To create a support base and network among communities, government, business and agriculture producers.
- 5) To educate about the role of agriculture in the community.

Sponsorship

The following organizations are the local financial and in-kind sponsors of this program: the Minnesota Soybean Growers Association, University of Minnesota Extension Service–Swift County, Southwest Minnesota Foundation, Swift County Board of Commissioners, Swift County GROW, First Security State Bank, State Bank of Danvers, Agralite Electric Cooperative, Chippewa Valley Ethanol Company, the Adult Farm Management Program, Mike & Nancy O’Leary Farm and Allen Saunders Farm.

Swift County Farm BR&E Program History

The idea of a Farm BR&E Program was initiated by Dick Hanson, Swift County Commissioner. Dick was a part of the 1994 Swift County BR&E Program where he saw the benefit of bringing a cross-sector group of people together to support local businesses. Dick contacted Sue Pirsig of Swift County GROW and Dorothy Rosemeier, Extension Educator and BREI Certified Master Consultant, regarding the potential of such a program for agriculture producers. Dorothy organized a planning meeting in the late spring of 1998 to explore the idea and to begin planning for the project. That meeting included Dick Hanson, Sue Pirsig, John Cunningham–Big Stone County Extension Educator in Finance and Business, and Craig Haugaard–Swift County Extension Educator in Crop Systems.

A Local Leadership Team was formed in the summer of 1998 where they worked with the BR&E Consultant Dorothy Rosemeier on the goals, process and survey for the program. The BR&E program in Minnesota had previously been conducted with livestock producers (dairy, swine and sheep), but not with crop farmers. Therefore, a new general agriculture survey tool was developed with the help and expertise of the former BR&E Director Patricia Love and project researcher Dick Levins.

In the fall of 1998 the Leadership Team coordinator Craig Haugaard, submitted the application to the BR&E Strategies Program and funding for the project from the Minnesota

Soybean Growers and Southwest Minnesota Foundation. The application was approved by the University of Minnesota BR&E Strategies Program and the Leadership Team proceeded to recruit members for the Task Force and selected farms to visit. The selected farms included: small, medium and large size operations; crops and livestock operations; conventional and sustainable farming operations; and producers throughout the county or bordering Swift County.

Bill Bridgland
Pat Byrne
Tom Clemen
Bruce Felt
Keith Finstrom
Jim Hilleren
Darrell Hoffman
Tim Hughes
Jim Just
John Kelly
Mark Kettelkamp

Scott Mahoney
Tess Mahoney
Brian McNeill
Tom Nelson
Lyle Popma
Harrold Schlieman
Lavonne Schlieman
Al Smith
Mary Lou Smith
Sandy Thompson
John Zosel

People in the Swift County BR&E Program

Leadership Team

This group coordinated the local program and included:

Dick Bonde, Adult Farm Management Program

Dick Hanson, Swift County Board of Commissioners

Craig Haugaard, University of Minnesota Extension Service–Swift County

Bill Hoberg, State Bank of Danvers

Jan Lundebrek, First Security State Bank

Ray Millet, Agralite Electric Cooperative

Nancy O’Leary, Ag producer

Susan Pirsig, Swift County GROW

Dorothy Rosemeier, University of Minnesota Extension Service–BREI Certified Master Consultant

Allen Saunders, Ag producer

Task Force

Several community leaders participated as task force members. This group addressed red flag issues, and 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.

Farms Visited

Sixty-two farms were visited by the Swift County BR&E program. The community wishes to thank these farmers for their willingness to help the community understand the needs of the County’s existing farms. A list of the farmers that participated is included at the end of this report.

Campus Review Team

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

- *Local leaders:* Dick Bonde, Craig Haugaard, Bill Hoberg, Jan Lundebrek, Nancy O’Leary, Dorothy Rosemeier.
- *State Agency Personnel:* Tracy Beckman, Minnesota Farm Service Agency; Gary DeCramer, USDA Rural Development; Kevin Edberg, Minnesota Department of Agriculture; David Frederickson, Minnesota Farmers Union.
- *Institute for Agriculture & Trade Policy:* Mark Muller.
- *University of Minnesota:* Chuck Casey, Michael Darger, Dick Levins, Jerry Miller.

Research Method

A survey was completed for 62 farms in the county. Other resources were also used to provide background information. These resources included:

- “Swift County Agricultural Profile 1995”, a document prepared at the University of Minnesota’s Department of Applied Economics
- Minnesota Agricultural Statistics
- Early highlights from the 1997 census of agriculture
- Regional Economic Information System CD-ROM from the Bureau of Economic Analysis.

**Research Highlights
Farmers’ Contribution to Swift County’s Economy is Slipping Badly**

In 1995, farm sales and government payments for Swift County were \$112 million. They rose to \$135 million in 1996. Judging by these numbers alone, farmer income appears to be a very important part of the local economy. In the

past, it was. For example, in 1975 farmers accounted for slightly over 30 percent of total county personal income. Today, things are much different.

In 1995, the contribution of farmer and farm employee income to total personal income in the county was 1.63 percent. Granted, farm income bounces around more than most other types from year to year, but that is a shockingly low number. The three-year average for 1995 to 1997 is a bit higher at 7.29 percent. On the other hand, the farming contribution to personal income in the county was negative in 1993.

This is not a problem for Swift County alone, as this table clearly shows:

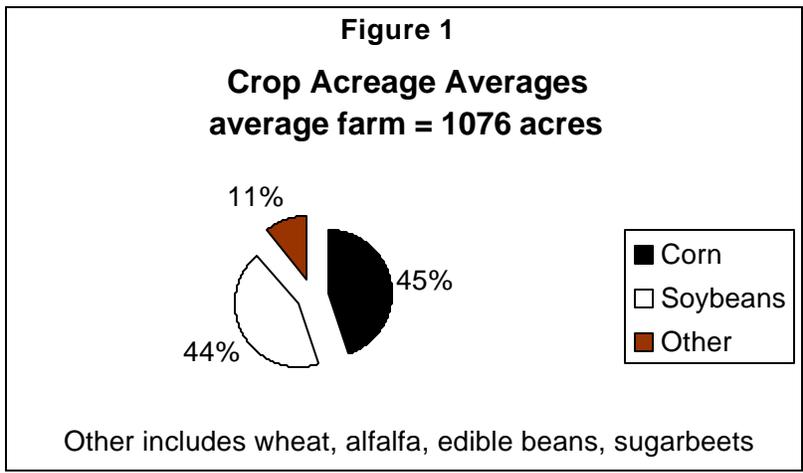
Table 1. Contribution of farming as percent of county personal income

COUNTY	1975	1985	1995
RENVILLE COUNTY	26.61%	12.49%	10.36%
STEVENS COUNTY	35.01%	14.77%	8.33%
YELLOW MEDICINE COUNTY	25.36%	13.78%	4.68%
LAC QUI PARLE COUNTY	26.84%	17.24%	4.66%
BIG STONE COUNTY	23.11%	13.38%	2.96%
POPE COUNTY	19.40%	4.94%	2.38%
KANDIYOHI COUNTY	14.76%	5.19%	1.24%
SWIFT COUNTY	30.34%	7.31%	1.63%

Furthermore, there is much more to agriculture than farming. Farmers pay land rents, buy supplies, pay property taxes, and affect the economy in many ways that are not reflected in farmer and farm employee personal income. These other benefits, however, are more difficult for local economies to capture.

Swift County Agriculture Is Highly Specialized in Corn and Soybeans

The survey and the 1997 Census both showed that almost 90 percent of the tillable land in the county is planted to corn and soybeans, and farmers would like to increase that percentage. There is no growth in any livestock enterprise and most, along with the pasture that supported them, are in decline.

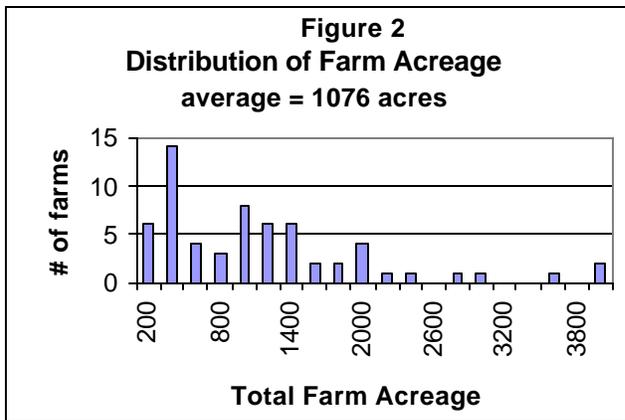


Fewer Farmers, Bigger Farms

Farm numbers continue to fall in Swift County, as they are doing throughout most of Minnesota and the rest of the country. This means fewer farm operators. The farms are larger, but they are not hiring enough farm workers to offset the loss of farm operators. Total employment in farming is therefore down in Swift County.

The 1997 Census of Agriculture showed 739 farms in Swift County, down from 760 in 1992. Even this number might be considered as an overestimate of the number of farms with potential to support families. For example, 95 of the farms identified in 1997 had sales of \$2,500 or less. If we consider farms having sales of \$50,000 and over as the only ones with a reasonable chance of providing full time employment to their operators, there were 421 such farms in the county in 1997.

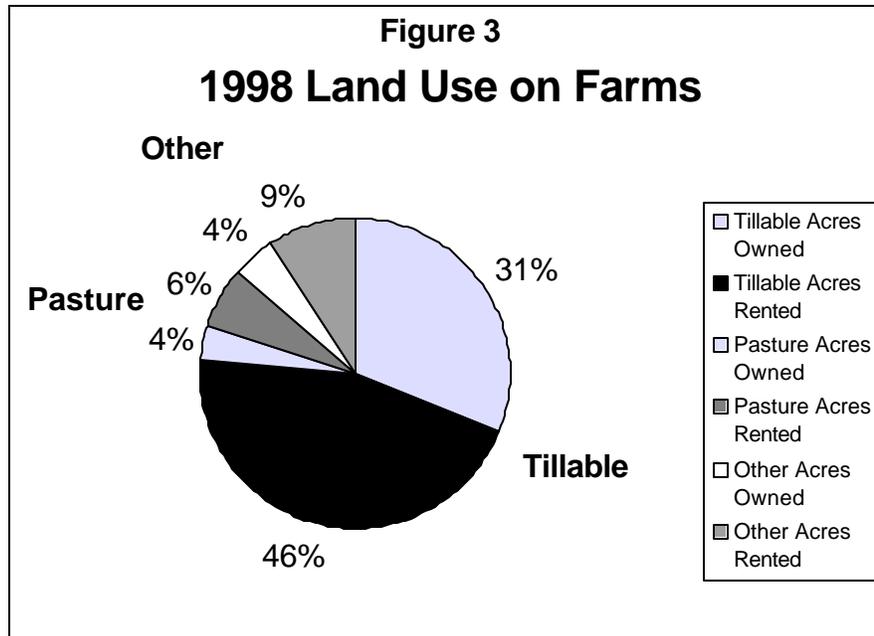
There is good evidence from the survey that not only are farmers getting bigger, but that they intend to continue doing so (see Figure 2). One problem the farmers you surveyed identified was “not enough land”, even though the number of farmers to use that land is declining. Another problem was poor road maintenance. This usually means that the roads are not able to provide for easy movement of very large equipment among fields.



More Land Is Rented than Owned by Farmers in Swift County

Land is the biggest cost in corn and soybean farming. The survey showed that about 60 percent of the tillable acres in the county are rented, while 40 percent are owned by farmer/operators (see Figure 3). The trend is toward more, not less, rented land. Rented acres grew by 29 percent between 1993 and 1998. Furthermore, the older farmers surveyed talked most of renting out their land when they retired.

The survey also showed that there are many more landlords than farmers associated with the land in Swift County: 62 farmers rent from 198 landlords. Of the 198 landlords identified in your survey, 122 live in the county and 76 do not. On average, the landlords are 65 years old.



Landlords Make More than Farmers

Figure 4 was developed from records kept by the University of Minnesota's Southwest Farm Business Management Association. It shows total sales per acre, rent per acre, and the farmer's profit per acre for corn grown on rented land during 1983-1997. The farmer never once made as much as the landlord.

For soybeans, farmers made as much as the landlord in two years and less in every other year. With so many of the farming dollars going to landlords, it is of obvious importance that those landlords are encouraged to live in the county

Property Taxes Are a Big Issue

The farmers surveyed listed property taxes as the single least favorable business factor they faced in Swift County. That is hardly surprising; something like 60 percent of the county's total property tax income comes from agricultural land. Farmers may not contribute much by their earnings, but they provide the money, directly or indirectly, that allows the county to function. With so much land rented, however, it is more accurate to say that landlords pay the biggest share of property taxes, with farmers coming in second.

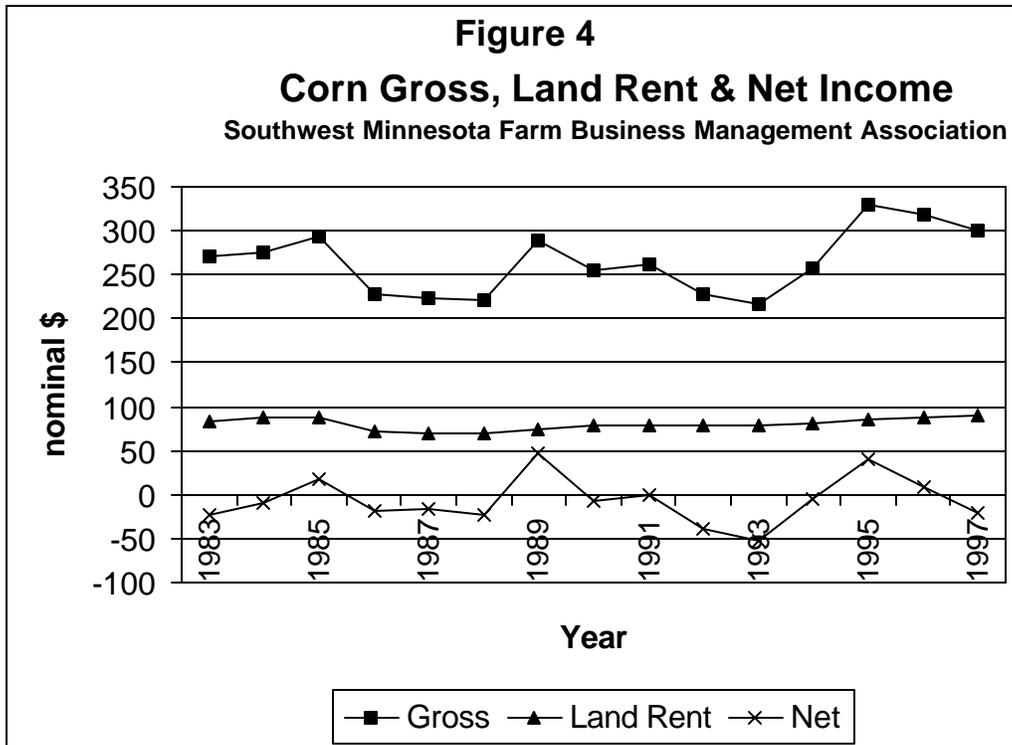
Strategies and Projects

Four strategies, and four projects to initially advance those strategies, were identified by the BR&E Task Force. The first strategy is Increased Cooperation. The second is Diversification of Agricultural Enterprises. The third is Keeping Money in the Local Economy. Last but not least, we have Preserving and Increasing the Number of Farm Families through Assessment and Education.

Strategy 1: Increased Cooperation

The overall goal of this strategy is to find more ways that farmers and other residents in the county can work together for the common good. With this strategy, we look for ways to work together, not as isolated individuals. BR&E provides a unique chance to do this.

The farmers surveyed were especially concerned that large agribusiness corporations and state environmental agencies do not care about their survival. In addition, only 22 percent of the farmers thought that city residents were at all concerned about their survival. Rural non-farm residents fared only slightly better. There was also evidence of a potential split in perceptions between smaller farmers and larger farmers.



Priority Project #1: Greater Involvement and Leadership for Rural Women

Justification: Farm women continue to play a significant role on their home farms. In addition, spouses of 40 of the 62 farmers surveyed worked off the farm to provide additional support for the farming enterprise.

Project Description: This project will have as its goal the creation of an active group of farm women to create a cadre of farm women to connect, communicate, support and work together on the challenges of farm life and the changing agricultural scene. The project will work with the West Central Farm Women Network (formed fall 1998) in meeting this goal.

Farm women will be organized and educated in these ways:

- Biannual Farm Women Forums will provide opportunities for organizing and building support
- Communication and connections will be fostered through the Quarterly Farm Women News and a web page/list serve

- Leadership and Citizenship Education will be promoted through programs and strategies developed by women at the Forums. These methods will encourage and empower women to take an active role in farm organizations, to interact more effectively with the University of Minnesota, and to become active in the development of agricultural policy.

Dorothy Rosemeier, Shelly Vergin, and Nancy O’Leary are coordinating this project for the BR&E Task Force. If you would like to participate in this project or want more information, please contact one of these people.

Priority Project #2: Improved Health Care Delivery for Farmers

Justification: The survey results, as well as the thinking of most everyone in rural Minnesota, show that obtaining affordable health care is a big problem for farmers. As their numbers decline, their access to quality, affordable health care goes with it. Oftentimes, it is the health care package as much as the wage that causes

farmers and their spouses to seek work off the farm.

Project Description: This project will begin with research into these areas:

- The insurance costs paid by farmers not currently covered by group arrangements
- The nature of group insurance and how farmers would have to be “related” in order to qualify for coverage as a group
- The extent to which Swift County could be involved in setting up an insurance group for farmers
- Benefits that might be obtained for farmers through Minnesota Care

Next steps will be identified based on the results of these initial investigations.

Nancy O’Leary, Thomas Clemen, and Sue Pirsig are coordinating this project for the BR&E Task Force. If you would like to participate in this project or want more information, please contact one of these people.

Priority Project #3: Promote More Effective Use of Farmer Cooperatives

Justification: The farmer survey showed that 34 of the 62 farmers belonged to a value-added cooperative. Local agriculture-related businesses were rated highest of all groups in terms of their perceived interest in the survival of local farmers. Furthermore, many farmers indicated concern about agribusiness mergers and the need to somehow counterbalance their growing power. All of these factors indicate good success possibilities for additional cooperative action. On the other hand, farmers in the survey and many attending initial meetings for this project were worried about the degree to which cooperatives cared about farmers. Some felt cooperatives were becoming too much like investor-owned businesses rather than organizations with the specific goal of advancing farmer interests.

Project Description: This project is intended to initiate more value added cooperative ventures and to have existing cooperatives provide higher returns to their patrons. The project will stimulate debate about cooperative

principles and provide education for cooperative board members.

Initially, this project will focus on four tasks:

- Identify and contact outside resources
- Set priorities for future discussion
- Contact existing parent cooperatives
- Research new cooperative ventures

The following project team is in place: Craig Haugaard, Ralph Groschen, Sr., Wynne Wright, Jan Lundebrek, Mike O’Leary, Jerry Tofte, John Carruth, and Dave Schwartz. If you would like to participate in this project or want more information, please contact one of these people.

Strategy 2: Diversification of Agricultural Enterprises

Both the survey and the 1997 Census of Agriculture show that about 90 percent of the tillable land in the county is planted to corn and soybeans. Livestock numbers are steady or in decline. With this strategy, we search for ways to diversify so as to be less vulnerable to poor prices and potential yield problems due to diseases. We also want to find ways to add value to our farm products before they leave the county.

Priority Project #4: Improved Delivery of Information on Alternative Enterprises

Justification: When asked what topics they would like more information on, marketing and alternative agricultural enterprises ranked first and third, respectively, out of 14 possible subjects. There were many individual comments on the need to diversify, especially in livestock, and improve marketing as ways to survive and grow. Support for this project can also be gained from the fact that the majority of farmers surveyed rated the availability of markets and other places to sell at “fair”, “poor” or “very poor”.

The survey also yielded some information on how farmers are now getting information. Conversations with other farmers and the Extension Service were ranked highest.

Project Description: This project will have two goals: (1) increased livestock production, and (2) improved niche and direct marketing of agricultural products.

The project will develop an information gathering system that will help identify agricultural crops and livestock enterprises that can economically benefit Swift County Agriculture. A central data center will be established to which community members can forward information on potentially beneficial products. The group would then evaluate these 2-3 times/year and pick potentially beneficial programs to present to interested area producers. This could be done by sending information directly on to interest producers when only a few are interested. Alternatively, informational workshops could be held where a variety of ideas are presented and producers could choose those that interest them.

The project will survey Swift county farmers to identify those with an interest in niche markets, direct marketing or increasing livestock production. Once products are identified information can then be passed along to producers who are interested in these specialized areas. In the case of livestock production the project could help producers find sources of money to help operate facilities or contract with someone to grow for them.

The project might also be able to assist in developing the hunting and recreational aspects of some farmland.

The project team includes Craig Haugaard, Dick Hanson, and Dick Bonde. If you would like to participate in this project or want more information, please contact one of them.

Strategy 3: Keeping Money in the Local Economy

Economic activity always provides benefits, but those benefits do not always “stay home” for long. Here, we look for ways to see that the county economy achieves maximum benefit from the economic activity that is going on within its boundaries.

While no priority projects were identified for this strategy, several projects for later consideration were considered:

- Promote Local Spending by Farmers
- Research Spending Patterns of Farm Landlords
- Explore Ways to Restructure Property Taxes

Strategy 4: Preserving and Increasing the Number of Farm Families Through Assessment and Education

The survey results showed that farmers in Swift County usually buy locally whenever they can. But as the number of farmers in the county continues to fall, the economic contribution farmers can make, no matter how hard they try, also gets smaller. The Census indicates that farmers are trying to insure their own survival with off-farm jobs. Of the 739 farmers of any size in the county, 518 listed farming as their principal occupation and 221 listed “other”. Of the 739 farmers, 330 worked at least some of the time off the farm, and 155 worked 200 days or more off the farm. Both of these numbers were up from 1992, even though the number of farmers declined during that time. The Swift county survey results showed that 18 of the 62 farmers and 40 of their spouses worked off the farm.

While no priority projects were identified for this strategy, three projects for later consideration were considered:

- Continued monitoring of individual crisis situations among farmers
- Promote farmer education programs more broadly
- Hire a resource person/educator with expertise on contracting issues

Farmers Visited

Larry & Kylene Ahrndt
Doug & Carolyn Anderson
Ernie & Judy Anderson
Vernon & Ruth Ashburn
Bob & Jean Banken
Pete & Betty Boese
Bill & Mardelle Bridgland

Jim & Julie Busse
Pat & Bev Byrne
Mark & Dorothy Chevalier
Bob & Rosie Collins
Steve & Lisa Collins
Bob & Linda Commerford
Joe & Kaye Dieter
Kent Evenson
Jonathan & Sherri Fahl
Bruce & Mary Felt
Luverne & Mary Jo Forbord
Lloyd & Norma Fox
Norm & Renae Giese
Wayne & Laurie Golden
Adrian & Charlene Gordon
Dale & Paula Grace
Orvin & Donna Gronseth
Ed & Dawn Hegland
Darrell & Crescent Henry
James & Kathy Holleman
Warren & Marsha Holzheimer
Sam & Brenda Jensen
Warren & Stacy Johnson
Bill & Char Klucas
Tim & Natalie Koosman
Dave Maanum
Wes & Bonnie Magnuson
Roger & Katherine Mahoney

Joe & Lois McGeary
Janet Mitteness
Tim & Jane Mooberry
Dennis & Sharon Munsterman
Mike & Nancy O'Leary
Jon & Janet Ohmacht
Dennis & Janice Rieppel
Bill & Jan Rois
Virgil & Laurice Ronholdt
Joe & Connie Rosemeier
David & Sheryl Rudningen
Doug & Marsha Ruppe
Allen & Jan Saunders
Duane & Maria Schlieman
Rod & Trudy Schlieman
Bob & Janie Schoen
Steve & Jane Stassen
Joe & DeeDee Stelzig
Marty & Dorinda Thielke
Larry Thompson
Dale & Sandy Tollefson
Jennings Torgelson
Craig & Celeste Voorhees
Kevin & Kim Voorhees
Todd & Sherry Wentzel
Mike & Sandy Yost
Walter & Mona Young



This summary report was prepared by Richard Levins, Professor,
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