



# The EDACENTER

at the University of Minnesota Crookston

The EDA Chronicle-April 2016

www.edacenter.org

Volume 6, Issue 4

## Events of Interest:

May 12

- Doing Business in Europe Symposium and Welcome AM-CHAMs in Europe Evening Reception is hosted by the Minnesota Trade Office and DEED. The symposium will be held at the Millennium Hotel with the reception being held at Windows on Minnesota in Minneapolis. For more information and to register, please go to <http://mn.gov/deed/events/ES16/>

May 17

- Start-up Lab workshop hosted by the U of M Duluth Center for Economic Development will be held at the Envision Lab, Ridgley Building in Mankato from 4-6PM. There is no fee, but you must register by May 9, 2016. For more information, please go to <http://z.umn.edu/15r7>.

June 2

- 13th Annual West Central Minnesota Employment Law Update will be held at the Alexandria Technical and Community College from 8AM to 4PM. You must register by May 23, 2016. For more information and to register, please go to <http://z.umn.edu/15r6>.

June 7-9

- Center for Small Towns 2016 Symposium on Small Towns: Rural Housing: Moving In, Out, and Forward! Will be hosted on the campus of the University of Minnesota Morris. For more information and to register, please go to <http://z.umn.edu/15r1>.

## Inside This Issue

Letter from the Director	1
Request for News Items	1
Financial Benchmarks Study	2
IDEA Competition Winners	3
Regional Unemployment and Poverty Statistics	4

## Letter From EDA Center Director, Kent Olson

Dear Colleagues,

Change and no change--seems like a frequent phrase for me these months. For the EDA Center, the change is a change in directors: from Joyce Hoelting to me. "No change" means no change in goals, objectives, and direction of the Center.

Change: Joyce decided to cut back her work time to spend more time with her husband who is undergoing chemo treatment. As of April 1, I am stepped in as Director to keep the Center rolling and connected to current work and plans. I am also Associate Dean for the University of Minnesota Extension Center for Community Vitality, Brent Hales' successor. I have been a professor in the Department of Applied Economics on the St. Paul campus since 1985, so I know Minnesota quite well but am often surprised by new-to-me organizations and conditions. I am committed to helping the people and communities of Minnesota choose and create their futures through the resources and connections of the EDA Center.

Items of interest within this edition of the newsletter

- A recent financial performance study of 11 commercial vegetable

operations in Central Minnesota conducted by Ryan Pesch and Brigid Tuck from the U of M Extension Center for Community Vitality

- On April 26th, 3 aspiring entrepreneurs won the annual IDEA Competition

Also, we are working on our request for funding for the Center for another 5 years starting October 1, 2016. We'll keep you posted on progress.

At the end of the newsletter, I have added a graph showing the incidence of poverty in Minnesota, another indicator of the health of an economy and its communities. It shows that all of the state has a poverty rate greater than 10% and almost 17% for children under 5.

As always, please stay tuned and in touch with what we learn in our Center sponsored projects. And call me at 612-625-7723 or email me at [kdolson@umn.edu](mailto:kdolson@umn.edu) if you have additional questions you would like to explore.

Kent Olson

EDA Center Director

## Tell us About News in Your Area

The EDA Center would like to collect information from the different regions in Greater Minnesota in an effort to highlight notable projects and events across the state. If you have any pro-

jects or events you would like highlighted in future newsletters, please submit them to [walke810@umn.edu](mailto:walke810@umn.edu) prior to the 15th of May.

## Financial Benchmarks and Economic Impact of Local Food Operations: A Study of the Financial Performance of 11 Commercial Vegetable Operations in Central Minnesota

by Ryan Pesch and Brigid Tuck, U of M Extension Center for Community Vitality.

A University of Minnesota Extension investigation of 11 mixed vegetable enterprises in Central Minnesota found that most are operating profitably, and growers are making an outsized contribution to their local economies. Eleven is a small sample size, however, and the reader should take care not to consider this sample representative of either the entire central region of Minnesota or the state itself.

The 11 Operations in the study gross \$9,335 per acre in vegetable sales and retain \$4,192, on average, after deducting annual cash expenses. Their average net return, after taking into consideration depreciation, stands at \$2,199 per acre. The lion's share of vegetable sales (75%) comes from direct marketing channels, such as farmers markets, farm stands, and CSA arrangements. Wholesale marketing channels, however, account for 25% of total vegetable sales.

Whole farm financial measurements, which encompass all enterprises (not only mixed vegetable production), show a significant split between some of the farms that make efficient use of their farm assets to realize good returns and those that make a meager income for the size and extent of their operations. Generally, the group is not overleveraged and has reasonable

debt to farm ratios; all saw positive increases in net worth during 2014. Farm income, however, is not enough in most cases to cover family living expenses. Study participants garnered an average non-farm income of nearly \$39,000 to support farm and family financial needs.

Measures of the economic impact of small-scale local farm operations indicate that small farms return \$232,550 more to the local economy per million dollars of output than conventional agriculture. Every \$1,000,000 in output for small farms produces an additional \$608,000 for the local economy, whereas conventional ag contributes \$375,450 per million. The total impact of an estimated 65 small-scale vegetable farms in our 13-county study area brings in an estimated \$1.1 million in wage and proprietor income.

### Methodology

Detailed information was collected from 11 operators in Central Minnesota about farm operating costs, sales by market channel, and labor inputs for the 2014 calendar year. The study's scope was limited to operations that raise vegetables for sale on less than 12 acres in the 13-county region of Central Minnesota, including Becker, Benton, Cass, Crow Wing, Douglas, Hubbard, Kanabec, Mille Lacs, Morrison, Otter Tail, Stearns, Todd, and Wadena counties. Extension's research team collected all records related to the whole farm (including non-produce

enterprise, such as dairy or crops), as well as the vegetable enterprise in particular.

Considering the sensitivity of the data collected, Extension ensured that each participant's information remained confidential. Therefore, no farms are named in this report, and all identifying details are withheld.

### Data collection procedure

During winter and spring 2015, 11 participants were recruited through phone calls, email, and a mailing. The mailing was based on contact information compiled from the online directories Minnesota Grown and [www.localfoods.umn.edu](http://www.localfoods.umn.edu), as well as the SPROUT Food Hub mailing list. Although difficult to find an exact census, we estimate from public directories and Census of Agriculture statistics that about 65 operations exist in the 13-county region that meets our study criteria: (1) grow mixed vegetables in the field, (2) cultivate less than 12 acres of vegetables, and (3) be commercial vegetable operations. Assuming 65 operations in the region, then the 11 included in this study account for a 17% response rate.

Participants received data collection spreadsheets to fill out. The spreadsheets captured the information necessary to complete beginning and ending balance sheets and 2014 income statements. Since most participants were sole proprietors, operators were also

asked to disclose non-farm income and spending to encompass all cash entering and exiting the household. Individual financial records were used to complete the spreadsheets, and, while most respondents kept very accurate records, participants estimated figures at times based on past production experience.

At least one member of the Extension research team individually interviewed each participant at their operation to collect data. All financial information was entered into FINPACK, the University of Minnesota's farm financial software program, for subsequent analysis. After an initial compilation and analysis during

summer 2015, at least one member of the research team conducted a follow-up interview and business coaching session with available participants (eight of the 11). During the follow-up session, participants identified potential inaccuracies in their individual reports and shared the major challenges and keys to success for their operations. The Extension team used this input to both fix report inaccuracies and provide context to the findings.

#### **Data Caution**

Readers should understand that findings in this report are based on a small sample size of 11 farm operations. The data assembled is not statically significant and not

representative of all farms doing commercial vegetable production in the central region of Minnesota or the state. Though not representative, little public information exists about the finances of Minnesota vegetable farm operations or the financial returns of vegetable enterprises in general. Our intention is that these report findings help current vegetable operators improve farm management and prospective operators establish a starting place for business planning.

*The full report will be posted to the EDA Center website by the end of May.*

## **IDEA Competition Drawing to a Close: 2016 Banquet to be held on April 26<sup>th</sup>**

The 2016 IDEA Competition is now completed! The winners were announced on April 26th at the Beaux Arts Ballroom on the campus of Bemidji State University.

The finalists for this year's competition were: 3Suns, LLC - David Bahr of Bemidji, AirCorps Aviation, LLC - Dan Matejcek, Eric Trueblood, Erik, Hokuf, and Mark Tisler of Bemidji, b.able - Jana Younggren of Hallock, Bare Cloth - Keila McCracken of Bemidji, Char Energy Equipment, LLC - Curtis Borchert of Ada, Far North Spirits-Cheri Reese and Michael Swanson of Hallock, NISKY, LLC - Eric Niskanen of Bemidji, and Prostrain - Sachel Josefson, Kari Josefson, and Jeff Mackenstadt of Bemidji.

There were three winners announced:

- Eric Niskanen, of Bemidji, who developed a goaltending training tool (NISKY, LLC).
- Dan Matejcek, Eric Trueblood, Erik Hokuf and Mark Tisler of Bemidji who developed a service called the Aircorps Library (Aircorp Aviation).
- Michael Swanson and Cheri Reese from Hallock, who produce small-batch, craft-distilled spirits (Far North Spirits).

All three winners receive \$10,000 in seed money to go towards the development of their ideas. The five runner-ups receive \$1,000 each.

In addition to announcing the winners of the 8th annual competition, there was one inductee into the IDEA Hall of Fame: Keith Johanneson from Bemidji, who is President and CEO of the Johanneson Group of Companies.

*The winners were announced in the Bemidji Pioneer. Go to <http://z.umn.edu/15ot> to see the press release. For more information about the IDEA competition, please go to [www.ideacompetition.org/](http://www.ideacompetition.org/).*



### Minnesota Poverty Rates, by age group

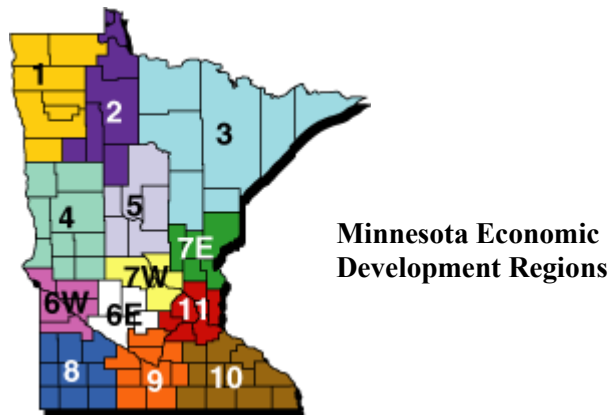
The level of poverty is another indicator of the health of an economy. The level of poverty for children is of special concern because of all the potential issues that may rise in future years in terms of future earnings potential and health conditions. Trends from 2005 to 2014 are displayed in the graph on the opposite page.

The impact of the recession starting in 2008 can easily be seen in

the poverty rate increasing from almost 10% of all Minnesotans in 2008 to almost 12% in 2011. The impact on children is also seen: rising from 13.5% of children under age 5 in 2008 to 18% in 2011. A similar story is seen in the children under the age of 18. While these rates decreased from 2011 to 2013, all three percentages increased in 2014 (the last year data is available).

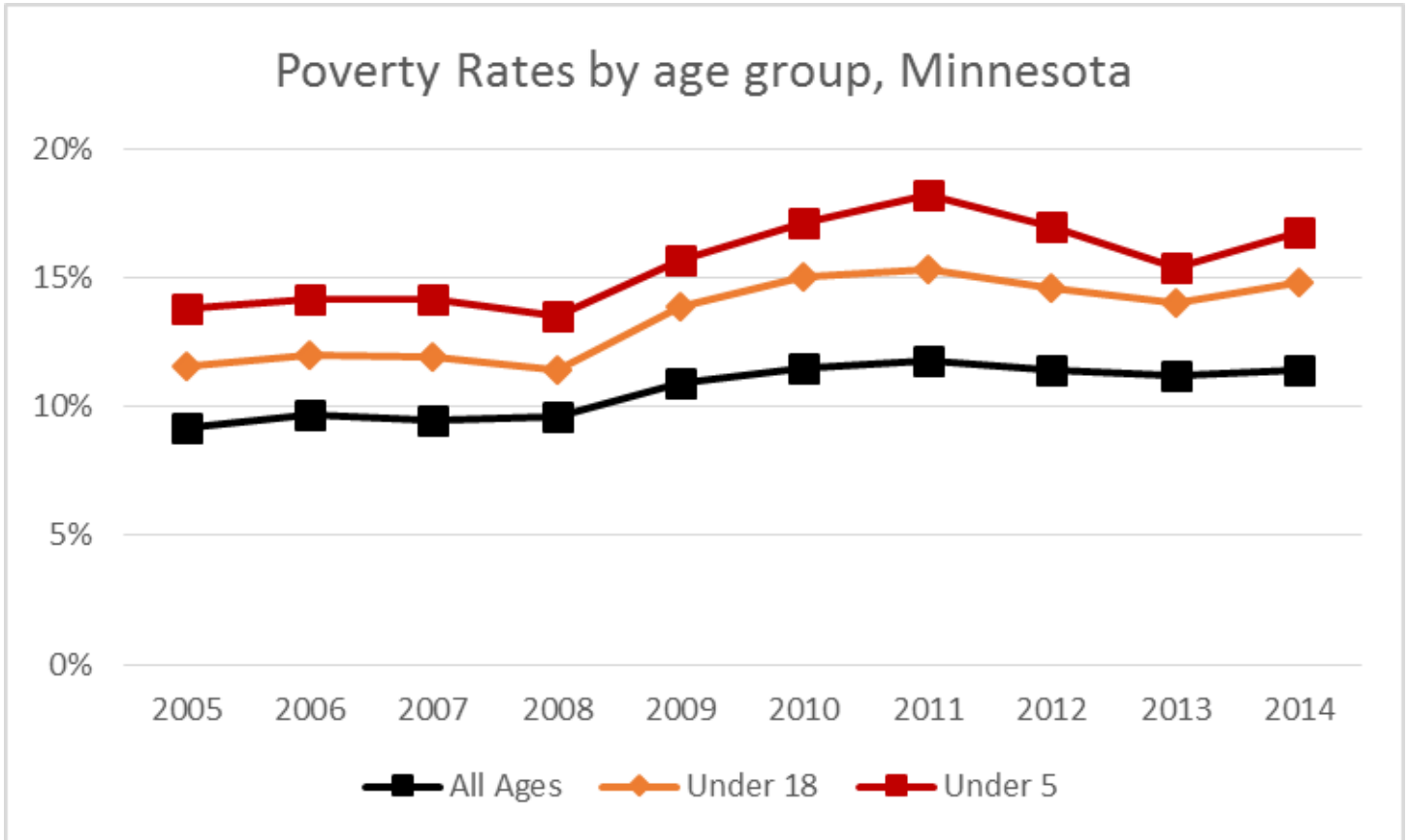
Regional variations in the poverty level when the county data is viewed.

*Jobs data below comes from U.S. Bureau of Labor Statistics ([www.bls.gov](http://www.bls.gov)) and DEED (<http://mn.gov/deed/>).*



**2015-2016 Minnesota Unemployment by Economic Development Region (Not Seasonally Adjusted)**

Date	EDR1	EDR2	EDR3	EDR4	EDR5	EDR6E	EDR6W	EDR7E	EDR7W	EDR8	EDR9	EDR10	EDR11
Mar 2015	6.1%	7.2%	6.1%	4.9%	7.5%	5.4%	5.9%	6.8%	4.9%	4.5%	4.7%	4.3%	3.8%
Apr 2015	5.3%	6.2%	5.6%	3.7%	5.8%	4.1%	4.2%	5.2%	3.8%	3.4%	3.8%	3.4%	3.4%
May 2015	4.4%	5.2%	5.0%	3.4%	4.8%	3.7%	4.6%	4.5%	3.6%	3.2%	3.6%	3.3%	3.4%
Jun 2015	4.8%	5.4%	5.6%	3.6%	4.8%	4.0%	4.9%	4.7%	3.9%	3.6%	3.9%	3.6%	3.7%
Jul 2015	4.4%	5.2%	5.4%	3.4%	4.7%	3.8%	4.8%	4.5%	3.7%	3.3%	3.8%	3.6%	3.6%
Aug 2015	4.0%	4.7%	4.8%	3.0%	4.3%	3.3%	3.9%	4.1%	3.4%	2.9%	3.3%	3.2%	3.3%
Sept 2015	3.2%	4.3%	4.6%	2.8%	3.9%	3.0%	3.2%	3.8%	3.1%	2.9%	3.0%	2.8%	3.1%
Oct 2015	2.9%	4.2%	4.6%	2.5%	3.8%	2.8%	3.7%	3.5%	2.9%	2.7%	2.8%	2.6%	2.9%
Nov 2015	3.5%	4.9%	5.3%	2.8%	4.9%	3%	3.2%	3.9%	3%	2.6%	2.7%	2.5%	2.7%
Dec 2015	5.5%	6.3%	6.2%	3.9%	6.3%	4.1%	4.6%	5.3%	3.8%	3.9%	3.6%	3.1%	2.9%
Jan 16	6.9%	7.4%	7.4%	5.2%	7.7%	5.5%	6.8%	6.9%	4.9%	4.9%	3.6%	4.1%	3.7%
Feb 16	6.6%	7.2%	7.2%	5.1%	7.5%	5.4%	6.1%	6.7%	4.8%	4.9%	4.6%	4.1%	3.6%
Mar 16	7.2%	7.8%	7.8%	5.1%	7.8%	5.5%	5.8%	6.9%	4.9%	4.8%	4.7%	4.1%	3.7%



Data source: U.S. Census Bureau, Small Area Income and Poverty Estimates (SAIPE)



*The EDA Center at the University of Minnesota Crookston is one of more than 40 university centers nationwide, supported by the Economic Development Administration, U.S. Department of Commerce.*

*We conduct applied research, provide direct technical assistance and deliver educational programs development agencies that support the economy of economically-distressed rural communities throughout Minnesota.*

EDA Center Staff:

*Kent Olson-EDA Center Director*

*Eddie Walker-Research Analyst/Editor*

110N Sahlstrom Conference Center  
 2900 University Ave  
 Crookston, MN 56716  
 Phone 218.281.8251  
 Email: [editor@edacenter.org](mailto:editor@edacenter.org)  
 Website: [www.edacenter.org](http://www.edacenter.org)



This document was prepared by the University of Minnesota Crookston under award number 06-66-05709 from the Economic Development Administration, U.S. Department of Commerce. The statements, findings, conclusions, and recommendations are those of the author(s) and do not necessarily reflect the views of the Economic Development Administration or the U.S. Department of Commerce.

The University of Minnesota is an equal opportunity educator and employer.