The EDA CENTER
at the University of Minnesota Crookston

The EDA Chronicle-January 2016 www.edacenter.org Volume 6, Issue 1

Events of Interest:

February 9

- MGTA Member Networking Lunch: Mandatory ACE Transition: Are You Ready? Will be hosted by the Midwest Global Trade Association at Cooper Irish Pub in St. Louis Park from 11:30AM-1PM. For more information and to register, please go to www.mgta.org.

February 20

- SUMBISSION DEADLINE: The IDEA Competition is accepting applications for any aspiring entrepreneurs wanting to attain $10,000 in seed capital towards the development of a product or service. Please go to www.ideacompetition.org/ to complete an application.

February 25

- An online webinar-Information Session on Brownfield Resources will be hosted by EDAM from 12-1:30PM. For more information, please go to http://z.umn.edu/129t .

March 2

- EU-US Free Trade & The Future of World Trade Seminar will be hosted by the British Consulate-General, Co-sponsored by Stinson Leonard Street LLP and Minnesota Trade Office at the Offices of Stinson Leonard from Noon-1:30PM. For more information, please go to http://z.umn.edu/130h.

Inside This Issue

Letter From New EDA Center Director, Joyce Hoelting

Dear Colleagues,

I am very grateful that this month, several of you called me to discuss possible projects that fit the purpose of our EDA grant. As a result of your interest and requests, Extension staff will engage with the Develop Minnesota project as regional development organizations align economic development plans across the state, and faculty at the UMN Crookston will be looking into how businesses in Northwest Minnesota are (and could be) using their web sites to better recruit workers. Also, several partners are looking into Economic Impact Analyses to inform their economic development questions.

In this issue, we feature a newly completed study of local vegetable producers in Central Minnesota. As many communities and community development organizations consider investing their time and money in develop a local foods economy, this study reinforces the economic opportunity of local foods, but also points to the realities that make managing local food operations difficult.

Thank you for your calls, and keep them coming. As projects are completed, you can read about them right here in this newsletter.

Joyce Hoelting
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 projects or events you would like highlighted in future newsletters, please submit them to walke810@umn.edu prior to the 15th of February.

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, Extension Educator, and Brigid Tuck, Senior Economic Impact Analyst

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 agriculture 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, 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.

Key Challenges and Successes

At the time of follow up meetings with study participants, Extension asked the farm operators about their keys to success in building their farm businesses and requested that they share their major challenges.

Keys to Success

Considering all operators have built their businesses for years and have established themselves in commercial vegetable production, we asked participants to share their keys to success. They provided the following suggestions:

- *Develop a wide network:* Off-farm jobs or other networks give growers an initial base of customers when starting their businesses.
- *Consider a NRCS grant for a high tunnel:* A couple operators mentioned this grant allowed them to jump into commercial production.
- *Share your vision with your spouse:* Considering the many competing tasks on a mixed vegetable operation, a shared understanding of priorities with your business partner is very valuable.
- *Concentrate on select crops:* Two participants shared they were more successful after cutting back on crop variety. Both focused on select vegetables that they could grow well, based on customer feedback and sales.

Major Challenges

Vegetable production is a time-intensive enterprise and labor issues were the most common management challenge cited. On small-scale vegetable farms with a wide mix of vegetables, proprietors try to follow tight planting and harvesting schedules with little to no hired labor. Other challenges of vegetable production included the following:

- *Weather and pests:* Most participants shared that weather and pests are perennial challenges.
- *Time management:* Participants shared their frustration with having “too many irons in the fire.” Many felt challenged by so many competing demands for time between farm and home and the difficulty of establishing priorities for each. A few mentioned the significant time investment needed for harvesting and the inability to find even casual labor.
- *Marketing:* A few identified the difficulty of selling products and developing promotional strategies.

Cautions and Considerations

The analyses performed above relied on responses from 11 small-scale farm operations in Central Minnesota. The 11 responses provided an opportunity to examine the role of small-scale farming in the region and to prove the importance of accurate production functions. However, this is an extremely small sample size, and care should be taken in interpreting these results. Extension plans to repeat interviews with small-scale farm operations in 2016. Additional data points would be invaluable to the input-output analysis and would strengthen the ability to apply the model to other situations.

The final report is being complied and will be available at both the U of M Extension and EDA Center websites.

DEED Report: 2014-2015 Local Area Unemployment Statistics and Jobs Report

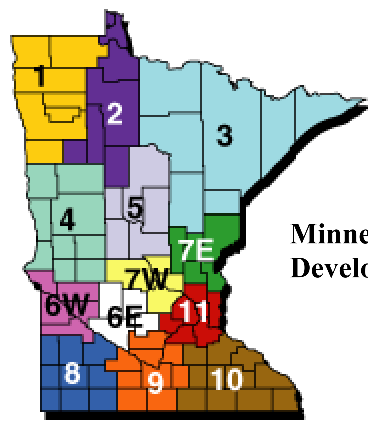
After seasonal adjustments, unemployment in December remained at 5 percent in the U.S. and dropped to 3.5 percent across Minnesota. Minnesota unemployment claims in December increased 3,589 to 34,783 when compared to November. Over the year unemployment claims increased 1.1 percent when compared to December 2014 (see summary in graph on next page).

Minnesota employers gained 9,100 jobs in December. Seven sectors posted job gains: Government (4,300), Leisure/Hospitality (2,800), Education/Health Services (2,100), Manufacturing (1,600) Construction (1,300), Other Services (500), and Financial Activities (200). Professional/Business Services (-3,200), Trade/Transportation/Utilities (-2,000), Information (-2,000), and Mining/Logging (-500) posted job losses in December.

Minnesota added 42,485 jobs over the past year, which puts Minnesota's growth at 1.5 percent during that time. This is below the U.S. growth of 1.9 percent over the past year. Minnesota's labor participation rate went up to 70.4 percent (seasonally adjusted). Minnesota's labor participation rate continues to exceed the U.S. labor participation rate which was 62.6 percent for the month of December.

Unemployment increased in December for all EDRs(unemployment numbers for EDRs are not seasonally adjusted). The Northwest region experienced the largest unemployment increase at 2 percent.

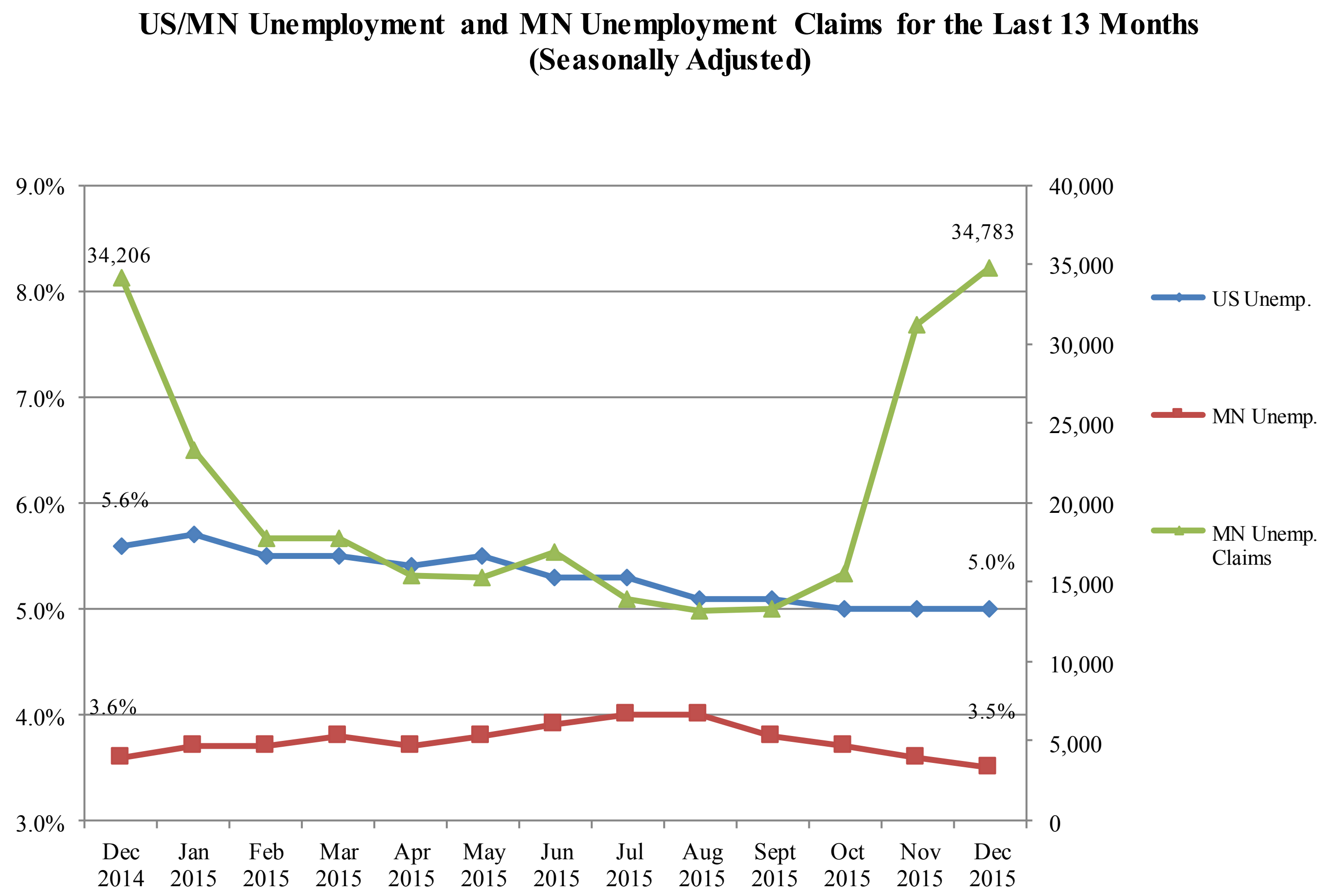
Jobs data comes from U.S. Bureau of Labor Statistics (www.bls.gov) and DEED (http://mn.gov/deed/).



Minnesota Economic Development Regions

2014-2015 Minnesota Unemployment by Economic Development Region (Not Seasonally Adjusted)

Date	EDR1	EDR2	EDR3	EDR4	EDR5	EDR6E	EDR6W	EDR7E	EDR7W	EDR8	EDR9	EDR10	EDR11
Dec 2014	4.7%	6.2%	4.8%	3.9%	6.2%	4.1%	4.1%	5.8%	4.2%	3.3%	3.6%	3.4%	3.1%
Jan 2015	6.2%	7.2%	5.9%	5.1%	7.7%	5.4%	6.5%	6.8%	5.0%	4.6%	4.7%	4.3%	3.9%
Feb 2015	5.9%	7.0%	5.9%	4.9%	7.6%	5.3%	5.5%	6.7%	4.9%	4.6%	4.6%	4.2%	3.8%
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%



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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.

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