

CENTER *for* RURAL POLICY and DEVELOPMENT

Seeking Solutions for Greater Minnesota's Future

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SUMMER 2004

The Changing Landscape of Farming *New Ag Census data shows smaller farms*

Every five years, the U.S. Department of Agriculture releases its Census of Agriculture, a comprehensive collection of data recording the state of the nation's farms. The latest version, the 2002 Census of Ag, was released in June; a massive collection of data, it contains information at the national, state and county level on everything from how much land is in farms to how much and what kinds of fertilizers were used, to how many llamas (2,490 in Minnesota alone).

Of the almost countless facts and figures being pored over, one that is drawing attention was the change in the size of farms, especially the trend toward smaller farms. Since the mid 1970s, the average farm size has been getting bigger. In 2002, the trend turned back: while the amount of land in farms stayed virtually the same, the total number of farms increased, and therefore the average farm size actually decreased, from 350 acres to 340. But the decrease in farm size wasn't uniform. The number of mid-size farms, those between 50 and 2,000 acres in size, decreased 4.4 percent, while the number of farms 2,000 acres and up increased 25 percent, and the number of farms between 10 and 50 acres increased 38 percent.

The same pattern occurred in sales, only more so. The number of farms with sales of less than \$2,500 increased nearly 52 percent and now make up 36 percent of all farms, as opposed to 24 percent in 1997. At the other end of the spectrum, farms with sales over half a million dollars were up 30 percent. In between, the number of farms with sales between \$2,500 and \$500,000 was down 15 percent.

It isn't always clear just what the data means, and methods of collecting and tabulating change from census to census. The apparent increase in the number of farms altogether and smaller farms specifically is due in some part to simply doing a better job of counting small farms, said Doug Hartwig, director of the Minnesota Agricultural Statistics Service, the state branch of the USDA's National Agricultural Statistics Service, which produces the ag census. They made a greater effort to count small farms in 2002, which can be tricky, Hartwig said, because these farms tend to come and go and are oftentimes difficult to identify.

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Anderson joins Center staff

The Center for Rural Policy and Development is pleased to announce the addition of Larry Anderson of Frost, Minn., to its staff. Anderson, who recently retired after a 20-year career in banking at Wells Federal Bank, began his new duties as Coordinator of Outreach and Member Services June 25.

With this new position, Anderson will be heading up a new phase in the life of the Center for Rural Policy and Development. As the Center approaches its seventh anniversary, it is launching a new membership development drive. Since it started, the Center has concentrated its efforts on building a reputation for itself as a source of unbiased, non-partisan information on rural issues. The next step now is to build on that success by bringing more people into the process in the form of a membership program.

"It's the next logical move for the Center, now that we're established as a leading resource of rural policy research," said Center president Jack Geller. "Let's not kid ourselves - memberships involve asking for some money. But what developing a membership base is really about is developing a constituency. This is a group of organizations, businesses and people who support our work and are invested in what we are doing."

"Having been a founding board member, I've been involved with the Center from the start, and I have a lot of faith in what we're doing for rural Minnesota," says Anderson. "We're helping people, especially legislators and other policy makers, understand where rural Minnesota and its residents stand in this state. I think there are a lot of people out there who will want to be involved in this, too."

Anderson is well known around southern Minnesota for his work with Wells Federal Bank and his public service. He has served as mayor of Frost, was chair of the board of the Southern Minnesota Initiative Foundation, chaired the Region 9 Development Commission in Mankato, and was a founding member



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JOBZ is topic of summer policy forum

Join the Center and the Minnesota Department of Employment and Economic Development for a day long forum Aug. 18 in Hibbing to discuss JOBZ, the state's latest economic development program aimed at rural Minnesota.

Effective at the beginning of 2004, Job Opportunity Building Zones, or JOBZ, offers a slate of tax incentives over 12 years to businesses opening a new business, expanding their business in or relocating their business to a JOBZ zone. The incentives include property tax and corporate income tax abatement, plus sales tax abatement for inputs purchased for use in the zone. Serving as Gov. Tim Pawlenty's primary rural economic development program, JOBZ is intended to help communities attract businesses that will create jobs and help grow the local economy.

JOBZ divides the state into ten zones, not including the Twin Cities and the area around St. Cloud. Within each of these zones are acres designated as subzones; it is on these acres that businesses must be approved to locate to receive tax incentives.

Who can locate within a subzone and reap its benefits is only loosely defined in state law. It's more clearly spelled out by each local government involved, which sets the criteria and gives the final approval to business applicants. Criteria often include a certain number of jobs that must be created, along with a certain wage level.

This summer the Center has been conducting a survey of subzone administrators that will set a baseline for future evaluation. This survey, together with a survey of JOBZ businesses being conducted by DEED, will be the basis of this summer's policy forum. Sessions will include:

- How business leaders made their site-location decisions when considering moving to a JOBZ zone;
- Marketing JOBZ zones at the state and local level; and
- How community leaders can evaluate JOBZ applications to decide whether the deal is worth it.

To learn more about "Working the Deal: JOBZ in 2004," visit our web site at www.ruralmn.org. An updated schedule is posted there, along with a registration form ready for download. The registration fee is \$40. For more information, call (507) 934-7700, or toll-free (877) RURALMN.

Working the Deal **JOBZ in 2004**

Aug. 18, 2004 • Hibbing, Minn.

See page 2 for more information



Rural Perspectives

Robert Bruininks,
President, University of Minnesota

Q *You were appointed the University of Minnesota's 15th president in November of 2002. How have you enjoyed your first 18 months?*

A The past 18 months have been an incredible experience, and it has been an honor to lead a community that I've so long been a part of; it's going on 37 years that I've been at the University of Minnesota. I have long felt that the University is one of the state's most important assets—as a creator of knowledge, as an attractor of talent, and as a place for learning and growth—and I have spent a great deal of my time reminding the people of Minnesota of the world-class research institution they have in their midst.

Q *As president of the U of M system, you oversee campuses located in very different regions of the state. How does it benefit the University to have these far-flung campuses, and in what ways do these campuses relate to each other, especially between the Twin Cities campuses and the ones in Greater Minnesota?*

A It has long been my contention that the University of Minnesota is a resource for the entire state, and the location of campuses and centers in Duluth, the Twin Cities, Crookston, Morris and Rochester is an important aspect of the reach that we have. All of our campuses have strong relationships with their communities and the regions, which benefit the people who live in proximity to our campuses as well as our students at these campuses, who connect to local communities through coursework as well as community service.

The University has what I believe is an efficient organizational structure, with senior officers of the Twin Cities Campus doubling as managers of the overall University system. Within that structure, our campuses outside the metro area have a great deal of latitude to pursue the areas of study and outreach that meet the needs of their communities. That's why you see the Large Lakes

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The Changing Landscape of Farming CONTINUED FROM 1

Another factor affecting the number of small farms in this census is the federal Conservation Reserve Program. In previous years, farms that had all their land set aside in the federal Conservation Reserve Program were not counted, because the government payments the landowner received did not count as agricultural income. That changed in 1997, and now farms that receive more than \$1,000 in CRP payments are also counted, increasing the numbers of farms, Hartwig said.

But despite these factors, the rebound in the number of farms, especially small farms, is real, said Hartwig. According to the USDA's definition of a farm, any landowner receiving \$1,000 or more in income from ag products can be counted as a farm. Nowhere does this definition manifest itself more than in the increase over the last few years in hobby farms, organic farms and farms selling directly to consumers. The trend is unmistakable to those who monitor Minnesota's agriculture.

"There are definitely more farms using smaller acreages to do niche marketing," said Thom Petersen, government relations director for the Minnesota Farmers' Union. Organic farming alone is up 20 percent, said Petersen, who serves on the state's organic advisory board. Small farms, organic or not, are good for local economies because those operators tend to shop locally, supporting their local economies, Petersen said. "It's important that Minnesota not fall behind in agriculture. We have to recognize the importance of it and have clear options, including niche options."

Besides organic farming, there's a trend in people moving from the metro area into rural or semi-rural areas, buying several acres, then maybe selling hay off it or eggs, just meeting the USDA's threshold for being defined as a farm. The 2002 Ag Census recorded some interesting data about direct marketing and organic farming:

- 3,847 farms were involved in direct marketing to consumers, up only 13 percent from 1997. But sales from those farms were up 57 percent in the same amount of time, to \$22.8 million.
- Eighty percent of these direct marketing farms reported sales of less than \$5,000 for the year. But nearly half of all direct marketing sales were generated by 79 farms.
- The average direct-marketing sales per farm increased 39 percent, from \$4,260 to \$5,917.
- In 2002, the first census counting organic farms, there were 397 farms certified organic. They made \$8.3 million in sales that year and averaged \$20,981 per farm. Most of these farms are small as well: two-thirds had sales under \$10,000.

Niche farming, whether through organic farming, direct marketing or hobby farms, isn't for every farmer, said Al Christopherson, president of Minnesota Farm Bureau. "But we certainly have to applaud those who want to sell to those markets. It's another value-added area and another area to explore. We just have to make sure people are getting what they're paying for," whether through inspection or certification, he said.

As far as inspection goes, Minnesota's inspection programs, especially in the area of meat inspection, have helped the growth of direct marketing, according to the Minnesota Department of Agriculture's Commissioner Gene Hugoson. In the past, a meat producer in Minnesota could only sell meat products that were USDA inspected, but those inspections are cost prohibitive, especially for small and mid-size farmers, said Hugoson. About five years ago, Minnesota started its own meat inspection program. For a much more affordable price, small producers, groups of producers and small locker facilities can be certified to sell their products directly

Anderson Joins Center Staff CONTINUED FROM 1

of the board of the Center for Rural Policy and Development. He also continues as a member of the Region 9 Commission, the Federal Home Loan Bank of Des Moines' Affordable Housing Advisory Council, and has been a board member of the United Hospital in Blue Earth since 1984.

Become a Member of the Center

Get involved with the Center by becoming a member. Members receive all of the Center's newsletters and reports automatically, plus early registration at policy forums and other Center events. They will also have the opportunity to help set the Center's agenda through member input sessions. Contributions to the Center are tax-deductible, and members signing up at the \$100 level or higher will receive a complimentary copy of the *Atlas of Minnesota: 2nd Edition*.

CENTER for RURAL POLICY and DEVELOPMENT

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Notes

2004 Minnesota Rural Summit
"Gearing Up for the Innovation Economy"
August 18-20
Hibbing, Minn.
Call (507) 637-4084 or visit
www.minnesotaruralpartners.org
for more information.

to the public (within Minnesota only). The standards meet or exceed USDA standards. Farmers "can now market in ways they couldn't before. It opens up significant opportunities," Hugoson said.

Alongside the gain in small farms is also the loss of mid-size farms. Over the years, the average age of the Minnesota farmer had been gradually increasing - it's now up to 53 — and it is the case that many farmers are retiring and selling their land to another farmer or to someone else who takes it out of farming altogether. Other farmers are selling out, unable to make a go of it at their current size in today's economy. Minnesota's dairy farms were particularly hard-hit: the number of dairy farms dropped 35 percent. But even though the number of the smallest and largest farms has grown, the majority of farms (57 percent) still fall in that mid-size range, between 50 and 500 acres. The very largest farms, those over 2,000 acres, make up less than 5 percent of Minnesota's farms.

The changes going on in agriculture today are stressful, said Commissioner Hugoson, "but it's going to be more how we deal with [these changes] that determines whether we succeed." In fact, these changes are not unlike the kinds of changes going on in every other segment of America's economy, said the Farm Bureau's Christopherson.

"If you want to preserve what you had in the '40s, '50s and '60s, then I'd say conditions are terrible," he said. "But if you want to recognize technology playing a part, this is a pretty exciting time. I'm an optimist and I see a fair amount of opportunity."

Percentage of all farms with sales of:

	1997	2002
Less than \$2,500	24.3%	35.9%
\$2,500 to \$4,999	7.3%	5.5%
\$5,000 to \$9,999	8.2%	6.8%
\$10,000 to \$24,999	12.0%	10.0%
\$25,000 to \$49,999	10.0%	9.0%
\$50,000 to \$99,999	12.2%	9.9%
\$100,000 to \$499,999	22.4%	18.5%
\$500,000 or more	3.6%	4.5%

Source: 2002 Census of Agriculture, U.S. Dept. of Agriculture, National Agricultural Statistics Service

Yes, I would like to become a member of CRPD.

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Organization: _____

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Please choose a level:

Individual \$50 \$100 I have enclosed a check.

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Two months ago while reading my favorite local newspaper in North Dakota I ran across an article regarding the economic impact of a local college on a small rural community. In the article the president of the college was pleased to announce the results of a study that found that the college had an annual economic impact of \$46 million on the local economy. Needless to say, for a rural community of almost 2,000 residents, that's a big economic impact.

The study went on to discuss how, with a large annual payroll in the millions, the college actually impacts more than 300 additional jobs in the community, as many employees of the college purchase their goods and services locally, spurring further job growth. In addition, many of the college's employees own homes in the community, which adds to the local tax base. And lastly, the college itself purchases some of its supplies and services locally, spurring additional economic impact. These are what economists call multipliers: quantifying for every dollar of payroll or revenue how many additional dollars or jobs are "created" in the local economy.

Yep, \$46 million is a pretty big impact for a town that's not quite 2,000 in population!

It turns out that many other colleges and various public or quasi-public institutions have been conducting similar economic impact studies for quite some time in an attempt to "educate" the local officials and citizens alike of their value and importance to the community. But is that really the true economic value of an institution of higher education? Does it simply boil down to the fact that colleges have big payrolls, and that big payrolls create a big economic impact? I don't think so, and here's why:

Essentially, if it's only about the size of the payroll of the educational institution that spurs the economic impact and creates this economic value, then doesn't it stand to reason that a prison with a \$26 million payroll should have the same local economic impact as a college with a \$26 million payroll? If so, wouldn't it be logical to argue that a local prison might actually have more economic value than a local college, as it not only has a large payroll, but each weekend it attracts many visitors to town to see their incarcerated loved ones, who likely will eat lunch at the local café, or purchase gas at the local filling station? Now that's economic impact...right?

Or is there something different about a college that adds economic value in a unique way? That maybe a college actually represents an aggregation of intellectual and creative capital; i.e., a lot of very smart people whose ideas, knowledge and creativity bring unique economic value to a community. In Richard Florida's 2002 book, *The Rise of the Creative Class*, he observed a

Valuing Our Rural Colleges

Jack M. Geller,
President
Center for Rural Policy
and Development

very strong empirical correlation between those communities that have a significant percentage of residents who are engaged in "the knowledge economy" and a community's overall economic growth. That the knowledge, innovation and creativity that emerges with a growing "creative class" provides communities with a competitive advantage not often found in communities that have a more limited number of knowledge or creative workers.

So does the presence of a local college provide similar competitive advantage for its host community? Well, listen to Dr. Mike Johnson, Provost of Itasca Community College in Grand Rapids, Minn. To him, clearly the answer is yes. While Johnson also engaged in a study examining the economic impact of his college on the community of Grand Rapids, he quickly came to the conclusion that in fact, the real economic value of his college to the community was in the faculty and staff's involvement in its local development efforts.

Quoting from *Itasca Business Monthly*, Johnson states, "There is an expectation that rural community colleges should be involved in economic

development activities in their communities. Our college is very involved in the community; not just myself (Johnson is currently serving his sixth year on the board of the Itasca Development Corporation), but our faculty and our staff are very active in organizations within the community outside of their normal college duties."

From my perspective there is little doubt that having a local college or university in your community is a wonderful local and regional asset. However, the true size and scope of its economic value and impact on the community can vary greatly. Is your community just thankful that as a large employer the college provides a large and stable payroll? Is the college simply that cluster of buildings up on the hill? Or is the college, its administration, faculty and staff integrated into the social, cultural and economic life of the community? Does it foster new ideas, creativity and a unique cultural pulse to the community? Is it engaged with local business and industry in customized training and workforce enhancement activities? Is it assisting in the fostering of an emerging creative class?

Not sure? Well, why don't you take a walk up the hill and have a cup of coffee with the local college officials? You might just see some great opportunities emerge.



Rural Perspectives

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Observatory at Duluth, or the Center for Small Towns at Morris, to give just a couple of examples. The University also maintains a strong presence in Greater Minnesota through its seven Research and Outreach Centers and 18 regional Extension Service offices, which provide practical, research-based collaboration with people from the Iron Range to the Red River Valley to the Hiawatha Valley.

Q *There are many different views on what exactly the University's "land grant mission" means. How do you define this mission, and how does it define the University's scope, especially in reaching out to all of Minnesota?*

A For me, our land grant mission means that we are an institution that creates knowledge through research as well as reasoned debate, that imparts knowledge to students, and that brings knowledge to the people of the state. The land grant tradition is an evolving and changing legacy, one that reflects the society - and the expectations of the society - it serves. The Morrill Act of 1862 and subsequent legislation integrated education, research and engagement into the land grant mission. With great wisdom, the Civil War-era Congress foresaw how the donation of public lands could provide a foundation for long-term economic growth and future revenue, whereas the mere sale of public lands would only provide a one-time return to the government. Their progressive outlook was that when the people are well educated, they will prosper, and when the people prosper, the state and the nation will prosper. Thus, the land was given to the states for colleges to educate the people.

The University's mission is integrated: research, teaching and engagement with the public are not addressed separately. It is our core research strength and the transfer and application of knowledge, however, that makes education and outreach at the land grant institutions unique.

Q *The U of M Extension Service, which has been the primary connection to the University for much of Greater Minnesota over the last century, has undergone some significant changes recently in its structure and its function. Is its existence stabilizing now? And what can Greater Minnesota expect from Extension in the next few years?*

A The University Extension Service recently reorganized, going from a largely county-based system to one based on eighteen regional centers throughout the state. The changes to Extension were made because they were in the best, long-term interest of the service and the people it serves. The

process of change was accelerated by crises in budgets at the state and county level, two primary sources of funding for Extension, yet they were also designed to allow local elected officials more choice in the Extension services provided in their communities. By housing Extension faculty more centrally, we reduced operating costs, strengthened connections to research faculty, and improved our capacity to provide timely information and technical assistance. These changes will also create new synergies between the talented people we employ.

The long and short of it was that we could no longer afford to provide services in the way that we had traditionally done, and we had at our disposal many new communications technologies, such as the web, to connect the people of Minnesota more directly to the University's research enterprise. Through this reorganization we sought to leverage technology along with the University's existing infrastructure (which is why many of our Regional Offices are co-located with other university facilities) in order to provide the best extension product possible. Ultimately, I believe that the Extension reorganization enhances the critical link to the research base at the University, thus strengthening the ability to deliver research-based information to all parts of the state.

Q *There has been a distinct shift in the price of education from the school to the student over the past few years. As president, and as a longtime member of the faculty and administration, what is your perspective on this shift and where do you see it going in the future?*

A I am deeply troubled by the shift toward students funding more of the cost of their education. I fear that policymakers more and more view education as a private good, rather than paying attention to how society benefits from an educated population. Your readers may be surprised to learn that two-thirds of the tuition increases in 2003-04 and 2004-05 are directly attributable to the nearly \$200 Million cut we took from the state. On the one hand, it bothers me a great deal that students are working longer hours to meet their tuition bills, that they are taking out larger loans than ever before, and that the value of federal financial aid (Pell Grants) has eroded by half between 1986 and 1999. On the other hand, the University of Minnesota relies on its academic quality to attract top students, top scholars, and a half billion dollars in research funding each year; we simply cannot sacrifice quality at the University if we are to remain the asset we've been — for our students and for the state.

I hope that, in the near future, policymakers can reach a consensus over how the University is funded. We have taken the initiative to solve many of our own challenges, such as self-insuring for employee health coverage, reorganizing

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our central administration and the extension service. In order to maintain access and affordability in an era of rising tuition, we are embarking on a major new scholarship drive that will raise \$150 million for undergraduate and professional students. But these internal initiatives are not enough; it is high time that University and the State of Minnesota agree on a renewed partnership that will provide adequate resources for the University. That partnership will be a key part of our ability to provide the next generation of Minnesotan college students the same educational opportunities their parents and grandparents had.

Q *The University of Minnesota is the acknowledged center of innovation in Minnesota and one of the top research institutions in the world. What are some of the next “big things” you see coming from the University, and what does having this kind of an institution mean to the state?*

A Many observers have called the 21st Century the Biological Century, and the University is at the cutting edge of the rapid growth of knowledge and interconnectedness in the life sciences. It is the breadth of interest and expertise among our faculty—the breadth we are sometimes criticized for — that allows us to remain at the leading edge of research that cuts across traditional disciplinary lines.

At the intersection of fields such as medicine, genetics, agriculture, biology, chemistry, and even ethics, law and philosophy, University researchers are pursuing new forms of renewable energy, extracting hydrogen from ethanol; they’re looking for ways to address our country’s problem of obesity; they’re finding ways to protect the food supply from intentional tampering as well as animal and plant disease; they’re exploring new ways to manufacture consumer products using biological materials, which harm the environment less than petroleum based processes; and, perhaps most importantly, they are looking at the legal and ethical ramifications new biotechnologies for our society. These examples represent just a few of the eight broad areas of interdisciplinary study the University has laid out as priorities. Other areas of focus include the arts and humanities, translational research in human health, brain vitality, and arts and humanities.

Through the education we provide, the research we perform and the sharing of knowledge with the broader community, the University of Minnesota has been a key part of how our state has built a quality of life that is the envy of the nation. In an increasingly knowledge-based economy, we will continue to be a key part of creating and disseminating knowledge. Our ability to continue to play that role, to remain a top public research university, depends on the quality of the scholars we attract and retain. Maintaining a state asset like the University is not cheap, but, in the long run, the University of Minnesota is the best single investment the people of Minnesota can make in the future of our economy and our culture.

President Bruininks will address the 2004 Rural Summit in Hibbing.

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