

CENTER *for* RURAL POLICY and DEVELOPMENT

MINNESOTA STATE UNIVERSITY • MANKATO

Seeking Solutions for Greater Minnesota's Future

NEWSLETTER No. 1

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CRPD Launches Research Projects Across State

LOW FARM PRICES. BAD DEBT. CUT services. Lost money. High taxes. Poor health.

E-commerce. Telemedicine. Entrepreneurialism. Value-added products. Alternative energy. Community collaboration. "Out-of-the-box" thinking...

These are among issues and concepts driving the work of the Center for Rural Policy and Development at Minnesota State University, Mankato, which has opened its door for "business" in recent months.

Researchers are currently being solicited to study topics affecting rural Minnesota communities in hopes of helping policymakers make informed decisions — from agriculture and education to health care and the environment. Current projects include:

- Seeking ways for the Legislature to help alleviate the ongoing farm crisis, especially over the long term;
- Surveying rural banking practices, patterns, and barriers as related to individuals' and companies' access to equity and debt capital;
- Examining state and federal tax policies inhibiting

intergenerational transfer of farmland and assets, particularly as they affect Minnesota farm families; and

- Examining problems of access to telecommunications in rural areas, ranging from basic emergency service (911) to high-speed Internet service.

In addition, the Center administers a Small Grants program, through which Minnesota researchers and scholars may receive funding to pursue independent rural policy-issue projects of their own interest and design.

CRPD also coordinates research services for communities and civic organizations.

The Center for Rural Policy and Development was established in 1997 by the Minnesota Legislature to serve as a nonpartisan statewide resource. From its base at MSU/Mankato, it serves as a data clearinghouse for lawmakers, rural advocates, enterprise initiatives, community leaders and news organizations.

A 15-member board of directors, appointed by the governor, hired Dr. Jack Geller as Center president in fall 1998.

City of Mankato Contracts Center, MSU to Conduct Citizen Survey

THE CENTER FOR RURAL POLICY and Development, in affiliation with members of the Sociology Department of Minnesota State University, is conducting a study for the City of Mankato on residents' attitudes regarding quality-of-life issues in the city.

Commissioned in March, the project seeks input across a range of issues "to better understand citizens' views regarding city services, programs and infrastructure," according to Dr. Jack Geller, CRPD president.

Telephone surveys and subsequent data analysis of 500

households will be coordinated by MSU sociology professors Dr. William Wagner and Dr. Steven Vassar.

The project, in part, seeks information on changes in residents' attitudes toward city government over the past ten years. Officials plan to use results to assist them in future initiatives.

Additional questionnaires for School District No. 77, which encompasses Mankato, North Mankato and outlying areas, is also part of the study.

NEWSMAKER INTERVIEW

Gene Hugoson

Commissioner

MINNESOTA DEPARTMENT OF AGRICULTURE



How might you characterize this moment in Minnesota agriculture, especially for producers, as the spring planting season approaches? Compared to last year? Five years ago?



There is no doubt that many farmers are facing severe economic challenges today in Minnesota and across the country. Prices for commodities such as corn, soybeans and pork are at levels well below what is required for many producers to make a profit. These low prices are due to a combination of factors, not the least of which are the lingering effects of the Asian economic crisis.

U.S. farmers produce more than can be consumed domestically. As a result, we must export a large portion of our production. In recent years, the Asian markets have become important customers. When their economies crashed, we lost some of our best export markets. Now, with many of the world's currencies devalued, the strong U.S. dollar is making American farm commodities more expensive relative to similar commodities from countries such as Brazil, which have devalued currencies. As a result, the demand for American exports is low.

At the same time, American farmers are experiencing the impact of overproduction. In Minnesota, we have seen several consecutive large harvests. This increased supply comes at the same time world demand has slowed, and the result is that markets are flooded with grain. Until the supply/demand situation levels off, these low prices are likely to continue.

The current situation is a reversal from what farmers experienced in the last few years. Although yields in Minnesota were limited by the wet growing conditions of 1993, prices and crops were solid from 1994 through 1997. It was only last summer that we started to see prices drop below break-even levels.

Commodity prices often fluctuate, and most producers are able to withstand short-term price dips. However, the current price drop is unusually large, and indications are that it may be months or even years before we see prices rebound to the comfortable levels of 1996 and 1997. That places pressure on farmers to cut costs wherever possible. Unfortunately, there is little room for cost cutting on many farms. As operating debt builds up, many farmers find it difficult to justify remaining in the industry.

There is only so much any one state can do to affect global commodity prices. However, that does not mean that we will stand idle. As a state, we are considering a number of options for short-term aid, and we are focusing on initiatives that will help farmers stabilize their income down the road. For that reason, we are interested in developing new or enhanced risk-management tools for farmers, and we are working to expand marketing opportuni-

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'The challenge for farmers and rural communities is to find creative ways to adapt and thrive in this changing economic landscape.'

IN SEPTEMBER 1996, MINNESOTA Planning released a monograph titled "Ahead at Halftime: Minnesota at Mid-Decade." It was a study examining demographic changes throughout the state during the first half of the 1990s. One of the main findings was that Minnesota grew much faster than in the previous two decades. During the 1970s and '80s, the annual growth rate was 0.7 percent, but in the first half of the '90s, it increased to 1.1 percent. Not surprisingly, growth varied widely across the state.

As one would expect, the secondary- and tertiary-ring suburbs around the Twin Cities experienced explosive growth. Conversely, 20 of the more agriculturally dependent counties, primarily in southern and western Minnesota, continued to lose population. But what really caught my eye was that an overwhelming majority of rural Minnesota counties grew substantially in the first half of the 1990s. In fact, 56 of Minnesota's 87 counties experienced net in-migration, and 83 showed a more positive migration profile in the '90s than in the previous decade.

In some ways, this sudden growth in rural areas was reminiscent of the 1970s, when demographers started to report a significant in-migration in many areas throughout rural America. I clearly remember hearing the phrase "Rural Renaissance" being loosely tossed around. After decades of out-migration, rural America was stabilizing — and in many areas growing! Unfortunately, as we all know, a few short years later the population "turn-around" turned again. In the Midwest, we experienced a severe farm crisis in the 1980s, and we once again witnessed the slow but steady depopulation of rural America.

So the question I ask is whether the growth currently being experienced in many rural Minnesota communities is the beginning of a real population turnaround, or is it (again) just a hiatus in the long and steady depopulation of rural areas? Of course, nobody really knows the answer. But last year, Minnesota Planning released its county population projections through 2025, and they are not encouraging. Essentially, planners project approximately half of

Where Lies the Future?

by **Jack Geller**
CRPD PRESIDENT

Minnesota counties will continue to lose population. They note that while most of these counties are currently experiencing positive gains in population and employment, these recent trends are insufficient to offset the older population structure and net out-migration as projected.

Is Minnesota Planning right? Who knows? Demographers will tell you that projections are only as good as the assumptions made in their development. Certainly the growth now being experienced around the state is significantly

higher than projected by the same demographers back in 1993. So things can change. But I strongly agree with one point that Minnesota Planning makes: That in order to avoid their projected fate, rural communities will have to attract more new residents and persuade more young adults to remain in the area. And that's where current rural policy comes into play.

One does not have to be a demographer to understand that the rural policies we enact today will have a profound impact on determining the fate of rural communities in 2025. That the investments we make today in technology, housing, health care, telecommunications, transportation, education, and other rural infrastructure are going to be key. That the need to work with the federal government to stabilize Minnesota agriculture, to enhance

marketing opportunities, to encourage the growth of value-added ag industries, and to provide adequate risk-management mechanisms for our farm producers will ultimately determine what our rural areas look like in two decades.

In 20 years? No one knows today how we will interpret the rural population growth experienced in first half of the 1990s. Maybe we will come to see it as the beginning of a sustained period of in-migration and growth for rural Minnesota — or maybe just another brief hiatus in the long-running rural-to-urban migration that started shortly after World War I. Only time will tell.

But I believe we may be at an important juncture in time, and the answer to that question may very well lie within the policies we enact today.



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Small Grants Program

CRPD provides funding for independent researcher-initiated projects on rural issues in addition to those currently designated on the research agenda. Topics, which must be focused on Minnesota, may include education, health care, environment, economic development, law enforcement, human services, community relations, public utilities regulation, land use, and transportation, among many. Projects must be relevant to current or proposed state economic or social policies.

Grant awards from recent first-round applications will be announced May 14, and posted on the Web @ www.ruralmn.org

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Board Changes Announced

The following changes have been made to the Board of Directors of the Center for Rural Policy:

- LOWELL LARSON, of Fergus Falls, representing Minnesota Initiative Funds, resigned last December.
- REP. DOUG PETERSON (DFL-Madison), who served as a delegate from the Minnesota House of Representatives, left the board in January. He has been replaced by REP. BOB GUNTHER (R-Fairmont), whose duties at the Legislature include serving as vice chair of the Jobs & Economic Development Finance committee.

"The Center is grateful for the time and effort of these 'charter members' of the Board of Directors," said President Jack Geller. "Their vision has been invaluable to our work."

Center, MSU Geography Collaborate on Minn Atlas

For citizens and policymakers, a great deal of excellent information about rural Minnesota might be "out there," but is hard to find in any one place.

That's where CRPD and researchers from the Minnesota State University/Mankato Geography Department hope to make it more accessible — and useful — by creating a unique *Minnesota Atlas*.

The project will encompass demographic, economic, geographic, and statistical profiles and maps of Minnesota conditions and trends across a range of topics, including crime, jobs, agriculture, economic development, and education, among others. Discussions recently began between CRPD and faculty, who plan to publish the first edition of the *Atlas* in the fall.

on the web @ www.ruralmn.org

Interview with Agriculture Commissioner Gene Hugoson

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ties for Minnesota-grown products both locally and around the globe.

Q: *Commodity and livestock prices, which have fluctuated wildly in the past few months, appear to have stabilized for the moment. Looking back, was the recent hog crash inevitable? What factors have been at play in this apparent calming effect, and what are market outlooks for the near future?*

A: It may be true that commodity prices have stabilized, but few farmers are pleased with the levels at which they have stabilized. Corn, soybeans and pork are still below break-even prices for farmers. In addition, milk prices dropped sharply in early March. Milk prices follow a predictable cycle, and late winter is usually the low point. However, this drop was unusually large. The good news in this area is that dairy economists expect milk prices to rise slowly through the year back to profitable levels. At the same time, hog prices should slowly rise as production is cut and slaughtering capacity is increased. Low feed costs and a steady demand for pork should help boost prices above break-even at some point in the coming months. The question of whether the hog price crash was inevitable is a difficult one. Certainly one could have predicted that prices would drop, given the sluggish global demand and increasing production of late 1997 and 1998. However, no one would have predicted hogs sinking to 8 cents a pound.

The short-term prognosis is not good for corn and soybeans. U.S. farmers are competing with countries like Brazil and Argentina, which recently harvested bumper crops of their own. Those crops will flood the world markets with even more grain, adding to our price woes. The gradual resurgence of the Asian economies should help increase export demand for these commodities, but we still have massive stockpiles sitting unused in grain elevators around the world. Economists tell us it may be years before we see prices for corn and soybeans approaching the levels of earlier this decade.

Q: *In Washington recently, Gov. Jesse Ventura mentioned that you have proposed a whole new concept in crop insurance/farm relief to help alleviate the current farm crisis in Minnesota. Would you comment on this, and if possible, provide some details of the proposal? What other proposals at the Legislature seem worthy of consideration?*

A: The administration does have several ideas about modifying the crop-insurance programs available to farmers, which we will continue to investigate. Crop insurance and the larger concepts of risk management and revenue assurance are going to become more important for farmers as we move into the new century. As we have seen in the last few months, the price a farmer gets for his or her commodities can be influenced by many factors — few of which are under his or her control. As a result, farmers have to protect their income as much as possible. There is a role the government should play in terms of providing a basic farm program, but with the global and national economic realities of today, it is doubtful we will return to the old days of commodity payments.

As for the proposals being debated in the Minnesota Legislature, I am pleased to see that legislators are taking a serious look at restructuring property taxes. We have heard from many farmers who are frustrated that they are paying high property taxes to fund services they do not receive. There is a fairness issue that needs to be considered there. As for farm-aid proposals, we agree with legislators that there needs to be some form of short-term aid. At the same time, we see that the state needs to take a long-term view. Perhaps the best thing we can do for farmers is to look at what the state can do to protect and enhance the ability of Minnesota farmers to compete in the world marketplace.

Q: *You testified Feb. 15 in Grand Island, Neb., before the House Agriculture Committee on various policies that the federal government ought to adopt in its efforts to provide relief to small farmers in the Midwest. What was the thrust of your arguments? What specifically could or should Congress do this year?*

A: My message to Congress was that the cure for our farm economic troubles must come from a number of directions, including federal, state and local governments. Congress has already taken positive action by passing significant farm relief last fall. However, I suggested it would be wiser in the long run for the federal government to break the bailout cycle by giving farmers stronger tools to help themselves.

Risk management and market access are two of the most valuable economic tools for farmers. Unfortunately, they are also areas that need improvement at the federal level. Both areas represent unfinished business remaining in the wake of the 1996 Farm Bill, and the longer this

business remains unfinished the worse it is for farmers.

For example, the federal crop-insurance system has so grievously failed our farmers that Minnesota was forced to pick up the slack by funding a federal crop-insurance premium-reimbursement program. States cannot afford to pick up the slack forever. By providing farmers with better risk-management tools, Congress can help break the vicious cycle of boon-bust-bailout. Grain farmers are not the only ones who need stronger risk-management tools. With fluctuating hog prices and sinking dairy prices, I argued that now is the time to provide all farmers with the high-quality revenue-assurance tools they need.

The second broad area in which I called for improvement was market access. The rules of supply and demand tell us that in an era of increasing crop production and stable domestic consumption, the key to ensuring decent prices is to keep demand strong by finding new uses and markets for our products. That is done by increasing our value-added efforts and expanding international marketing.

Q: *Please comment on the recent USDA survey findings that numbers of small family farms in Minnesota continue to shrink, while large (mostly corporate-owned) operations and hobby farms continue to expand. How do you interpret this report? What significance do these results have for policymakers, small farm owners and rural communities?*

A: Before I answer that question, I must correct you on one point. The Minnesota Corporate Farm Law prohibits corporate ownership of farms in nearly all cases, so it is incorrect to refer to the state's larger farms as being "mostly corporate-owned." The truth is that in most cases, the larger farms in the state are owned by family farmers — often they are owned jointly by a group of family members.

Having said that, there is certainly a trend in agriculture toward fewer and larger farms. Looking at the statistics, one can see that trend has been in place for much of this century. In 1900, nearly 90 percent of the state's population was involved in farming. Today, that segment is down to 2 percent. This is in part a natural progression resulting from mechanization and increased efficiencies, but there are other factors as well.

I must admit some discomfort at this trend, because it means the way of life I knew as a boy in southwestern Minnesota may not be there for as many Minnesotans in the future. However, it is difficult to make our state an island isolated from the global economic forces driving this trend. We can, however, set policies that protect our rural communities and our natural resources while at the same time allowing farmers to compete. The challenge for farmers and rural communities is to find creative ways to adapt and thrive in this changing economic landscape.

Q: *You have a particular interest in developing value-added markets in Minnesota and the Midwest. What recent programs or ideas do you see as particularly promising for farmers who may be considering joining value-added enterprises?*

A: Value-added agriculture is an important tool for 21st-century Minnesota farmers, and that is why I advocate it. For example, we are much better off processing corn in Minnesota and then selling it as high-value corn syrup than we are simply shipping bushels off to Chicago. I am encouraged by many of the value-added initiatives going on in rural Minnesota; so it is difficult to isolate one or two examples.

I will say that the success of the ethanol industry is most encouraging. We continue to hear rumors that California may become interested in buying ethanol from the Midwest, and if that happens, the ethanol industry could grow even stronger.

Q: *You also have an interest in developing international markets for Minnesota's agricultural producers. What recent initiatives hold promise? What barriers persist? What kinds of alliances (public/private) can be fashioned to increase Minnesota exports?*

A: With a population of 1.2 billion and a growing economy, the Chinese market has tremendous export potential, particularly for Minnesota pork and soybeans. Because their culture places a high value on protocol and contacts with political leaders, our first step in pursuing greater access to these markets has been to establish a dialogue with top government officials.

While in the Chinese capital of Beijing last year, I met with the Chinese minister of environment and vice minister of agriculture, who spoke openly about challenges they face and opportunities they see to work with Minnesota farmers and agribusinesses. The Chinese are very interested in acquiring precision agriculture technology used by some Minnesota farmers because they recognize that it will help them cut their fertilizer usage and conserve their limited water supply. The Chinese

Reminding urban residents that a big part of Minnesota's economy is ag-based reinforces the message that what happens with agriculture influences the health of the state overall.

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... Hugoson interview

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also wish to expand their livestock production, but they do not have the land necessary to grow the extra animal feed this will require. Through contacts we have made, we hope to create opportunities for shipping Minnesota corn and soybeans into China....

Unfortunately, we still face many barriers to international markets. Some of these barriers are set up by countries looking to protect their own agricultural interests, but even more frustrating, some of these barriers are set up by our own federal government. Despite its importance to the economy as a net exporter, the needs of the farm community have been largely ignored at recent international trade negotiations. To rectify this oversight, agriculture must be given center stage at the next round of World Trade Organization talks. We need to focus the efforts of our trade officials upon removing the many

unwarranted barriers other nations have erected against U.S. exports. Another helpful step would be for the federal government to leave agricultural commodities out of retaliatory trade actions. For decades we have been imposing trade sanctions on nations whose policies we dislike, but little attention has been paid to how these actions hurt farmers back home.

Q: *How do agricultural interests keep their needs and agendas at the forefront of the public mind in a state whose urban/suburban population continues to grow, while rural areas shrink or remain static?*

A: Keeping the general public well-informed about the needs of the agricultural community is a big challenge for us. With that in mind, we have established an Ag in the Classroom program, which educates thousands of Minnesota school kids each year about agriculture by incorporating the industry into their daily math, social studies

or science lessons. We provide teachers with study guides and materials for students. Another key step is keeping the public interested. Look at the numbers:

- 17 percent of our Gross State Product comes from agriculture and related industries;
- Agricultural and food exports bring in \$12 billion to the state each year;
- Agriculture and its related industries provide jobs for one of every four Minnesota workers;
- Two-thirds of all agricultural jobs are off-farm, in processing, distribution, supply or service sectors;
- Each farm production job helps create an additional three jobs in all sectors.

By reminding urban residents that a big part of Minnesota's economy is ag-based, we help reinforce the message that what happens with agriculture influences the health of the state overall.

