

CENTER *for* RURAL POLICY and DEVELOPMENT

Seeking Solutions for Greater Minnesota's Future

VOLUME VII • ISSUE 4

Fall 2005

New study looks at the impact of alternative energy industries on state's economy

A new report released by the Center this summer looks at the role of Minnesota's major alternative energy industries in the state's local economies. Besides being a leader in the production of ethanol and biodiesel fuel, Minnesota is also home to several large-scale generators of electricity using wind, wood, garbage burning and landfill gas.

The report, "Minnesota's Commercial Alternative Energy Industries," gathers together production and economic data on these various industries and analyzes them in terms of jobs created, tax revenues, local spending, and policy implications. The analysts for the study were Steven J. Taff, Ph.D., and Brendan Jordan of the Department of Applied Economics at the University of Minnesota in Saint Paul.

CONTINUED ON 2

Pain in the wallet: High energy prices are affecting rural economy in many ways

High gas prices: it's the chief lament these days, and the most transparent way energy prices are affecting our lives. But beyond the pump, the effects of high energy prices, from gasoline to natural gas to electricity, are permeating throughout the economy. Homeowners are seeing the effects first-hand through their higher heating bills. It's estimated that the cost of natural gas will be up 40 to 50 percent in the Midwest over last year, affecting both home heating and generation of electricity. Businesses are seeing higher prices in the cost of their utility bills, the supplies they buy, and the transportation of their finished products.

We talked to individuals in three different areas to see how higher energy prices are affecting rural Minnesota:
Wheels on the bus...

The Thief River Falls school district in northwestern Minnesota is 470 square miles, a fairly common size for school districts in that region, and Superintendent Irving Peterson has a fleet of 21 buses to buy fuel for. Those buses travel approximately 1,600 miles a day, or 290,000 miles in a year. "They go through a lot of gallons of fuel," said Peterson.

Along with the buses, there are four buildings to heat for the district's 2,000 plus students. All told, the district's energy budget is \$600,000 for the year. Compared to personnel costs, which in most districts is at least 60 percent of the total budget, it's a small portion, but if energy costs went up by \$100,000 to \$150,000, that would push their budget into the red, a place the district has been able to stay out of for the past few years, Peterson said. "The 4 percent (increase in funding) from the

CONTINUED ON 3

Demise of a local elevator marks the long-term change of rural towns

In Frost this year, the elevator only went down.

Frost never had an elevator to lift folks to the upper floors of buildings. Actually, we never had buildings with more than one floor upstairs.

But we did have an elevator that was the heart of the community for most of the town's 105 years. The local grain elevator, a farm co-op, was more than just the center for agricultural trade. It was the magnet that held the farm community together through the "bustle years" of small town commerce, a scene duplicated in country towns throughout rural Minnesota and mid-America.

The local elevator gave a town whose population peaked at 326 an identity. It proudly declared, "Frost is a farm town."

The elevator was a major employer in Frost as elevators were in many small towns. And its economic impact was widespread. Besides accepting the harvests of area farmers, the elevator was always there to support local kids at the county fair and the 4-H auction. When the high school band needed money for a trip out of town, (usually to Mason City, Iowa) the elevator was there to help.

The large grain storage tower reached more than 100 feet skyward, dwarfing the houses and shops it shared Main Street with. It was the only structure taller than the trees. It was where things happened.

The gravel road leading to the grain dump brought the only traffic jams Frost ever experienced as long lines of grain hauling farm wagons and trucks waited their turn to unload the newly harvested grain. The wait also provided time for neighbors to visit, a time to talk about the low price of corn and beans, a time to offer suggestions to politicians and a chance to discuss the high school football team.

The elevator was also a place where sons rode with their fathers in pickups or on cableless tractors to grind feed, or to buy a salt block for the cattle, or just to check the markets and maybe visit with neighbors. For many in my generation it meant a chance to get a bottle of pop from a machine, the only one in town. The seven-ounce bottle of Coke



Rural Perspectives

Congressman Collin Peterson
Minnesota, 7th District

Q For our readers outside the Seventh District, could you please tell us about yourself and what made you decide to run for Congress? What have been some of your chief accomplishments while representing the Seventh District in Washington?

A I grew up on a farm near Glyndon, Minn., and was educated in the local public schools. I graduated from Minnesota State University, Moorhead, in 1966 with a double major in Business Administration and Accounting and also served in the North Dakota National Guard from 1963 to 1969. Before being elected to Congress, I was a Certified Public Accountant and small business owner in Detroit Lakes, Minn., and also served for ten years in the Minnesota State Senate.

Promoting rural economic development throughout my district is something I've been most proud of in my service to the Seventh District. I've worked with countless communities on issues like improving infrastructure and promoting business development. Along with that, I've taken steps to protect rural hospitals and rural health care to avoid reduction in service to rural areas. I've also made important strides in promoting and protecting the Conservation Reserve Program.

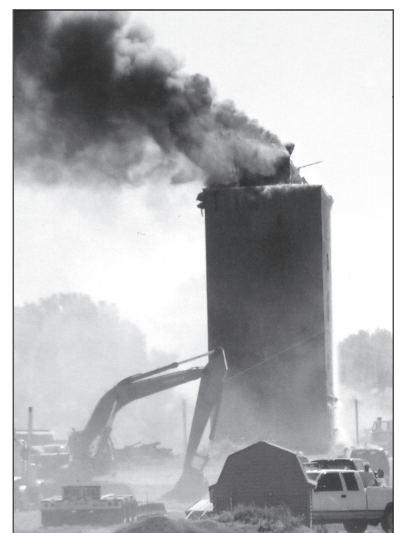
As a veteran of the House Agriculture Committee, I negotiated key provisions in the current Farm Bill and in agriculture programs, particularly in disaster programs.

Q You are currently the Ranking Member of the House Agriculture Committee. What does it mean to be the Ranking Member, and what is your role in developing the new 2007 Farm Bill?

A The House Agriculture Committee has a long-standing bipartisan tradition. As a result, the Chair and the Ranking Member of the Committee tend to act as a team in addressing agricultural policy problems that face the country. In other Committees, the Ranking Member may think of him or herself as the opposition: someone whose job it is to stop anything the Majority party tries to advance. As ranking member of the Agriculture Committee, however, I have much more of an opportunity to shape policy.

To me, that opportunity translates to a real responsibility. I was very involved with the drafting of the 2002 Farm Bill, which was a compromise that made nobody happy but that everyone could live with. Interested groups with many different agendas had to cooperate to write a Farm Bill that was fair and that would work.

CONTINUED ON 3



cost a nickel long after prices in the neighboring big towns had escalated to a dime. The glass bottles were coated with a thin layer of grain dust that was everywhere in the old office.

The Community Club could always count on the elevator for support. When hundreds of people gathered around the lighted Christmas tree in the middle of Main Street for the annual Christmas drawing, many of the prizes were donated by the elevator.

And, each Christmas the elevator would provide customers and neighbors special gifts with the *Frost Farmers Elevator Ass'n* prominently displayed on mixing bowls, salt & pepper shakers, pot holders and other assorted gifts for the home.

In Frost, and in many rural communities, the elevator's collection of buildings provided the single largest contribution to the city's budget through local real estate taxes.

And like many others, the Frost elevator faced great challenges during times of complex agricultural economics. It also faced the challenge of flames.

Fire is often part of a small town elevator's history. The tin-covered wooden structures make abundant fuel for raging flames. Frost's elevator faced three fires. The first in the 1940s was a severe loss that was soon rebuilt. Additional storage buildings were later added, resulting in two tall storage towers visible for miles. But a storm-related fire in the 1990s burned the newest and tallest building and dealt the

CONTINUED ON 2

Center bids farewell to board members, welcomes four new directors

The Center bid a fond farewell to three longtime board members in September while at the same time welcoming four new ones. Tom Renier of the Northland Foundation in Duluth, John MacFarlane of Otter Tail Corporation in Fergus Falls and Rep. Bob Gunther of Fairmont are all stepping down from the board after several years of service each. Replacing them will be Jim Hoolihan, president of the Blandin Foundation in Grand Rapids, Sherry Ristau, president of the Southwest Minnesota Foundation, Rep. Tony Cornish of Good Thunder, and Commissioner Sandy Layman of Iron Range Resources.

Rep. Cornish comes to the board from a varied background. In his lifetime he has walked beans, worked for a pea vinery, painted the underside of bridges hanging over rivers on steel cables, and was commander of a National Guard Tank Unit. He has been a farmer for approximately four years, a policeman for one and a half years, a deputy sheriff for three and a half years, and a Minnesota game warden for 22 years. He loves his current job as State Representative and plans to stay there for at least 11 more years. Rep. Cornish is pictured here at the State Capitol with his daughter Anna and son Gabe.

Jim Hoolihan was named president of Blandin Foundation in April 2004. He is a native of Grand Rapids, a businessman and civic leader, serving as mayor of Grand Rapids for three terms (1990-1995), as a Blandin Foundation board member (1992-2003) and Foundation chair (1996-1999). From 1981 until joining the Foundation, he was president of Industrial Lubricants Company and Can-Jer, a Grand Rapids-based, family-owned company providing industrial supplies and services to the logging, railroad, taconite and coal-mining industries.

Hoolihan has served on several civic boards and commissions, including the Governor's Task Force on Mining and Minerals; the Taconite Production Tax Committee; the Grand Itasca Clinic and Hospital Foundation board; and chair of Itasca Development Corp/Jobs 2020. Hoolihan holds a law degree from William Mitchell College of Law, a master's of business degree from the University of Minnesota and his bachelor's degree in economics from the University of Notre Dame. He is a trustee of Saint Joseph's Catholic Church and a trustee of the College of Saint Scholastica. He is married to Kathy Walter Hoolihan and has three children.

Sherry Ristau is the president of the Southwest Minnesota Foundation, where she oversees over \$42 million dollars in assets and an annual budget that includes grants and loans exceeding \$4 million over an 18-county area of southwest Minnesota. Before joining the Foundation, she was an independent consultant specializing in the areas of executive development, strategic planning, training, and facilitating. Sherry serves on several boards and committees including the state and national Councils on Foundations, Hutchinson Area Health Care and the I.J. Burich Family Foundation.

Sherry has held positions at the Citizens' Council Center for Reducing Rural Violence, the Region Nine Development Commission/Area Agency on Aging, and at the Southwest Minnesota Foundation, playing a key role in the development of the Paul and Alma Schwan Aging Trust Fund. Sherry holds a master's degree in Organizational Leadership, a bachelor's degree in Sociology with a minor in Gerontology and a second B.A. in Family Life and Child Development. A native of Blue Earth, Sherry and her husband, Bruce, reside in Hutchinson, where they are



Rep. Cornish with his daughter Anna and son Gabe.



Sandy Layman



Jim Hoolihan



Sherry Ristau

own a small business and are active with their children's activities and church. Sandy Layman, appointed to the Center's board Oct. 11, was named commissioner of Iron Range Resources by Gov. Tim Pawlenty in April 2003. With a strong, 20-year background in organizational management, community leadership and economic development, Layman's previous experience includes serving as president of the Itasca Development Corporation and president of the Grand Rapids Area Chamber of Commerce.

Prior to accepting the top post at Iron Range Resources, Layman served two terms on the Iron Range Resources and Rehabilitation Board. In addition to her work at the agency, Layman is actively involved in rural community development through service on the boards of the Blandin Foundation, the University of Minnesota Duluth's Natural Resources Research Institute and membership in a statewide public/private initiative known as Regional Economic Development Group (RED).

Layman received a B.A. in organizational management and communications from Concordia University in St. Paul and has completed graduate work toward an MBA at the University of St. Thomas. She and her husband live in Cohasset and have two adult children.

Demise of local elevator

CONTINUED FROM 1

elevator a mortal blow.

The buildings reduced to ashes during the fire of the 1990s were never replaced. The elevator was no longer the town's economic engine. The remaining storage building remained an unused reminder of a small-town farm institution that was becoming a blighted memory.

This summer volunteer fire departments from more than a dozen area communities joined the Frost Fire Department in conducting a controlled burn that erased the final visual reminders of "how it used to be."

Dozens of lawn chairs lined the grassy areas a block or so away from the blazing heat the Saturday that the elevator went down. Farmers and children of farmers spoke with a fondness reserved for the dead and dying as they recalled the stories centered on that piece of history. Video cams and digital cameras recorded the elevator's last gasp and belching black smoke.

While local folks recalled their favorite "elevator stories," onlookers from neighboring towns asked the dreaded question, "Will this happen to us someday?"

After some four hours of flame it was over.

The elevator went down — for the final time.

Larry Anderson is a fourth-generation resident of Frost and the Outreach Services and Membership manager for the Center.

News & Notes

Alternative energy conference

The Center will be hosting "Biomass & Alternative Energy Development in the Midwest: The Convergence of Policy & Technology," a daylong conference on Minnesota's alternative energy industries. The conference will take place Dec. 12 in St. Paul (final location to be determined). Topics include an alternative energy overview by Dr. Bob Elde, dean of the U of M Department of Biological Sciences and chair of the Initiative on Renewable Energy and Environment; innovations in state and federal initiatives; and the economics of alternative energy. Watch our web site for details on the location and full agenda.

Atlas of Minnesota online

The Atlas of Minnesota is going online on our web site. Each month we will be posting a new chapter with updated maps and information, starting with the Agriculture chapter. The maps will be available for download in pdf format, and best of all, it's free!

Meth conference

The Center is one of the many sponsors of "MinnesotaIce," a conference presented by the Initiative Foundation of Little Falls on the problem of methamphetamine in rural Minnesota. The conference takes place Tuesday, Nov. 1, at the St. Cloud Civic Center. A registration fee of \$50 includes lunch, materials and a CD/DVD toolkit with videos and practical resources. For more information, call the Initiative Foundation at (877) 632-9255. Registration deadline is Oct. 21.

New study looks at the impact

CONTINUED FROM 1

Many of these industries are subsidized in some way by the state to encourage their production and use. This support begs a question, though: is the benefit of these industries worth the subsidies? With the growing focus on alternative forms of energy, supporters are advocating increased government support based on the belief that these methods of generating energy are better than traditional practices, including environmental benefits and a lessened dependence on foreign oil, and create economic activity in their communities. Detractors question whether benefits are worth the public dollars spent on these alternatives given the relatively small volume consumed compared to traditional energy industries.

"In doing this study, we wanted to get a sense of where we are in alternative energy production and whether there are significant economic gains for communities through investing in these industries," said Dr. Taff. In the report, Taff and Jordan analyze information on the costs of capital and other inputs, jobs created, and tax revenue generated, then look at how the future of these industries could play out in terms of jobs and economic activity with and without government support. Based on their findings, they then make recommendations on how they believe government spending could be best put to use for alternative energy.

"The real importance of this report is that it establishes a baseline for alternative energy industries in Minnesota," said Jack Geller, president of the Center. "Minnesota's leaders have decided it's important to jump-start and foster alternative energy industries in this state through public policy. As these industries mature, there will be lots of suggestions and ideas as to how they are impacting the rural economy, farm economy, and rural development in general, and this report offers some of those projections. But it's also important to us to set a benchmark now from which progress for the future can be measured."

The report is available for free download on the Center's web site at www.ruralmn.org. There are also a limited number of print copies available. You can request a copy by contacting the Center at (507) 934-7700, toll-free at (877) RURALMN or at crpd@ruralmn.org.



Coming in January

Rural Minnesota Journal, the Center for Rural Policy and Development's newest publication, will feature a collection of timely articles by some of the state's foremost voices on rural Minnesota. Topics range from demography to schools to the economic future of our state. Watch for *Rural Minnesota Journal* in January. For more information, visit our web site at www.ruralmn.org or call (877) RURALMN.

In this issue of the CRPD newsletter we have taken the liberty of giving you a preview of a new publication we are launching in 2006 called *RMJ: Rural Minnesota Journal*. To some, it may seem like just another academic publication, but we hope to make *RMJ* a must-read all across Minnesota. Why? Well, first and foremost, there are few publications that are designed exclusively with rural Minnesota in mind. But more importantly, we hope to bring to the reader through *RMJ* a thorough discussion of contemporary issues that are important to all rural Minnesotans and the communities they reside in. That's why we recruited an all-star lineup of some of Minnesota's most thoughtful and credible experts for this inaugural issue.

Our current plan is to produce two issues of *RMJ* per year, to be distributed in the winter and summer. After the inaugural issue, each issue will target specific topics such as "Educating Rural Minnesota's Children"; "Accessing Health Care Services in Rural Minnesota"; or "Seeking Vibrant Rural Economies." And don't look to *RMJ* to provide a uniform point of view on these vital issues. Rather, we will seek out authors who will discuss and debate all sides of these issues, giving readers an opportunity to form their own opinions and come to their own conclusions.

And our plans do not stop there. We also plan to coordinate the topics discussed in print in *RMJ* with our annual policy forums. Tying these two together will allow us to discuss in print the various perspectives of our authors in *RMJ* and then debate these very same issues face to face in a setting where we can truly seek solutions to some of these vital issues facing rural Minnesota. Together, we hope that we can elevate the level of civic engagement across the state around these issues that are important to all of us. Think of it as an ongoing, statewide conversation on the status and future of rural Minnesota.

Creating a statewide conversation on rural Minnesota's future

Jack M. Geller, Ph.D.,
President

And lastly, we hope to make the *Rural Minnesota Journal* accessible to all. To do that, we are committed to distributing copies all across rural Minnesota, "leaving no county behind." We want all county boards, communities, state legislators and rural organizations to receive a copy of *RMJ*. Of course, members of the Center, who are so vital to our organizational growth and development, will each receive a copy as well. But to ensure that it is accessible to anyone and everyone who wants it, we plan to place each issue of *RMJ* on our website for all to view and download at absolutely no cost. To pull this off will require that the costs of *RMJ* be underwritten by a combination of organizations, corporations and foundations. But I'm pleased to tell you that is exactly what is happening.

To be perfectly honest, I don't think I am capable of overstating my excitement and enthusiasm about *RMJ*. But to be equally honest, we still have lots of work left to do. Over the next year we are committed to giving *RMJ* a somewhat independent life of its own, through the creation of an editorial board. This editorial body will decide on topics for each issue, solicit manuscripts and do much of the heavy lifting that editorial boards do. So the importance of recruiting the right people to such an editorial board also cannot be overstated. I've found over the years that the credibility of a publication often lies with the credibility of its editorial board. We need to ensure that *RMJ* emerges as an objective and non-partisan publication that examines rural issues from a variety of perspectives. So if you have any nominations for the editorial board, drop me a note or e-mail. I'd love to hear your suggestions.

Hopefully, by the time I write this column again for the winter 2006 newsletter, you



will have your copy of *RMJ* in hand.

Rural Perspectives

CONTINUED FROM 1

As we sit down to write the 2007 Farm Bill, we will again have to find a way to balance many priorities that will affect the livelihood of so many Americans. With fewer Members of Congress representing rural and agricultural districts, it is more important than ever that we work together to create a Farm Bill that addresses the diverse needs for nutrition, conservation and farm programs.

I am planning to work with Chairman Goodlatte to hold hearings, both in Washington and around the country, to gather input from the public on the Farm Bill to be sure that we understand the current needs that the bill must address.

Q *The 2002 Farm Bill concentrated a great deal on production subsidies for farmers. As you work on the new 2007 Farm Bill, what changes would you like to see made to this piece of major policy?*

A In general, the 2002 Farm Bill is working well and represents a tremendous improvement over the 1996 Farm Bill. By reinstating counter-cyclical payments, the 2002 bill restored the safety net that ensures the security of American farmers.

The U.S. and other members of the World Trade Organization are currently involved in negotiations that are intended to lead to policy changes that make international trade more fair for agriculture and other industries. It is still unclear how long the negotiations will take and what results may develop; however, what is clear is that there will be serious implications for the future direction of our farm and conservation policy. The outcome of these talks will be very important to Farm Bill development, and the Agriculture Committee will monitor them closely.

Q *We generally think of the Farm Bill in terms of agriculture, but it also funds such non-farming areas as rural community and economic development and rural utilities. In your opinion, should these areas be separated out into their own policy?*

A In many ways, the contents of a Farm Bill reflect the changing dynamics in rural America and Congress. Although agriculture has tremendous importance for our nation, our farmers and ranchers have declining representation in Congress. While decades ago, a farm bill would have focused almost exclusively on farm policy, today its focus must be substantially broader and must embrace more sectors related to food and fiber production in order to gather the interest of more Members of Congress.

Besides incorporating important policy decisions, Farm Bills are also an

exercise in allocating Federal budgetary resources to food, conservation, hunger, and other rural purposes. Consequently, they are often extremely comprehensive.

Despite their inclusion in the Farm Bill, each of these policy areas will from time to time need specific focus and attention from the Agriculture Committee. As problems arise, we must be diligent about addressing particular areas on a separate basis. As Ranking Member, I feel that it is my role to help ensure that the Committee is properly exercising its oversight regarding the operation of each and every program for which we have responsibility.

Q *We've all been feeling the pinch of sharply increasing fuel prices this summer. What effect do these significant increases have on the agriculture economy in the short term, and in the long term if prices remain high?*

A Agricultural production is regarded as an energy intensive industry. Over the long-term, energy expenses, on average, make up 15 percent of the total expenses involved in agricultural production. The accounting from the current production season will surely show that portion as being substantially higher. In addition to the diesel fuel, propane, natural gas, and electricity that producers rely on, the price of the fertilizer they buy is very sensitive to the price of natural gas. As a result, current high prices are placing a tremendous strain on farm budgets in the near term.

If prices remain high over the long-term, the adjustment in the agricultural economy will not be pretty. For agriculture and for the rest of the economy, it is crucial that we continue to work towards a comprehensive energy policy that promotes a more reliable supply. That policy has to include taking fuller advantage of the tremendous potential to expand our nation's use of farm-based, renewable energy products.

Q *You have taken the rare step of having a staff person in your Detroit Lakes office devoted full time to economic development in your district. Why take this more hands-on approach?*

A When I was elected to Congress, I hired a person with significant economic development experience to travel throughout the district and visit each and every community to help me better understand their needs. Fifteen years later, we continue to work with communities and new and existing businesses in all 35 counties on a variety of development issues.

I take this approach because I feel it's so important for communities, business owners, and others to know what sort of economic development opportunities are out there, and to make these programs accessible for them. I like to think our hands-on work has positively affected our rural areas.

Pain in the wallet

CONTINUED FROM 1

Legislature helped significantly to just get our head above water," Peterson said, "but this might just put us under again."

School budgets are working documents that can be readjusted, but only at certain times. Thief River Falls, like other districts, set its budget for this school year last June. Then they had to wait for the Legislature to finish its business to find out how much funding schools could expect. Their next adjustments will be made in December. In the mean time, they'll see what happens to the price of fuel as each new tanker comes in about once a month, said Peterson.

Peterson's hope is that these price increases, as large as they could be, don't affect the district's ability to send students on field trips and to sports events. Field trips are part of educating the whole child and cutting them out wouldn't be fair, said Peterson. "Our students here have to travel a very long way to have the same opportunities as kids closer to the metro, and cutting out a dozen field trips isn't going to affect the budget that much anyway."

Putting things in perspective, Peterson said, he's thankful the only effects of the hurricanes he's seeing is the increased fuel prices. "The effect here is pretty minor compared to the impacts on their education systems," he said. "But if you add up the

CONTINUED ON 4

CENTER for RURAL POLICY and DEVELOPMENT

Seeking Solutions for Greater Minnesota's Future

600 South Fifth Street, Suite 211 • St. Peter, MN 56082
507-934-7700 (V) • 877-RURALMN (toll free)

www.ruralmn.org

Pain in the wallet

CONTINUED FROM 3

increases for all the districts in Minnesota, economically it's a pretty big impact." *Moving goods...*

According to the Minnesota Trucking Association, in 68 percent of Minnesota's towns, trucking is the only means of moving commercial goods in and out. Over 129,000 trucks were registered in Minnesota in 2002, according to the U.S. Census Bureau's Vehicle Inventory and Use Survey, and they traveled 3.16 billion miles on Minnesota roads. Of the total, 26 percent are tractor-trailer trucks, but these trucks drove 67 percent of the total miles. The high cost of fuel is affecting the trucking industry in different ways, depending on the size of the trucking company and the trucking company's customers, said John Hausladen, president of the Minnesota Trucking Association.

Larger companies with a large, stable customer base have been better able to pass along the cost increases to their customers in the form of fuel surcharges. Smaller companies are less able to negotiate these surcharges and therefore find themselves absorbing the cost of increases more. This situation is felt especially by the independent contractors, who are paid by the mile and cover all their own expenses, including gas for their truck, said Hausladen. Independent contractors haul well over the half the freight in the U.S. If the freight company is able to negotiate a fuel surcharge, it gets passed along to the independent contractor, but if the driver is hauling for a smaller company, the surcharge may be less or less of it may be passed along. Either way, these higher costs are adding to the price of everything and driving smaller companies out of business.

"It's very dynamic," said Hausladen. "If they're still in business, they're successful." *The farming conundrum...*

For farming, however, fuel is a pure cost that can't be passed along. The trouble with farming, said Kent Thiesse, a longtime Blue Earth County Extension agent who is now working in agricultural lending, is that "you really can't add in the costs anywhere. You can't really compensate." Farming is an energy-intensive business: fuel is needed for tractors, equipment, and grain dryers. At the same time, natural gas is a significant input in most fertilizers. Unlike in trucking and other businesses, farmers have no one to pass costs along to — they're at the end of the chain in too competitive a business, dealing with razor-thin margins. "You just have to look for ways to cut costs, but there's not a lot of room to cut more."

These kinds of increases in the cost of inputs have been happening a lot, but this year they're dramatic: the cost of inputs will be increasing at an estimated 20 to 30 percent for 2006 for both crops and livestock. On the other hand, grain prices have been staying flat. It's fortunate that many parts of the state will have above-average yields this year, but some areas may not. The combination of factors makes for a very difficult cash flow situation, said Thiesse.

Gas prices may settle down in the next few weeks or they may to \$4 a gallon by the end of the year, as some have predicted. But whether gas goes up or down, whether natural gas stays steady or increases as expected, the cost is already making the budget setters in most sectors of life think twice about how they will be spending money. That second thought, whether to spend or not to spend, could be what determines the track of the economy for months to come. It could also, however, be what spurs us to diversify away from a petroleum economy.

The Center for Rural Policy and Development is an Affirmative Action/Equal Opportunity Educator and Employer.

This document is available in alternative format to individuals with disabilities by calling the Center for Rural Policy and Development at 507-934-7700 (V) or 711 (MRS/TTY).



600 SOUTH FIFTH STREET, SUITE 211 • ST. PETER, MN 56082



FALL 2005

Letter

NEWS

- New alternative energy study
- Marking change in rural towns
- Q&A with U.S. Rep. Collin Peterson
- Starting a conversation on rural Minnesota's future
- High energy prices

Seeking Solutions for Greater Minnesota's Future

CENTER for RURAL POLICY and DEVELOPMENT