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Introduction

In 1990, 2000, and 2003, we published reports highlighting the socio-economic conditions of the rural Great Plains.¹ Most of the findings in those reports were discouraging – declining populations, falling incomes and earnings, higher rural poverty rates, and a steady widening of the economic gap between urban and rural areas.

All of these reports received extensive attention from the media and policymakers – primarily because they highlighted anomalies of common views of American society: hard times in the land of plenty, poverty among those who produce the food and fiber for the rest of us, and a decidedly non-stereotypical view of poverty.

For whatever reason, stories of people, organizations, and communities addressing issues of rural economic decline and rural poverty are not as publicized. Maybe we are all more interested in “disaster” stories than in the hard, day-to-day grind it takes to make a community more viable or prosperous. Maybe those involved in the work of rural revitalization do not advertise their initiatives enough. Or maybe we are all so inundated with “best practices” studies that the term has lost its meaning.

We are not calling this a “Rural Development Best Practices” report because we reject that term. In our view, “best” is whatever works in a community and whatever promotes the values of widespread ownership of economic assets, opportunity for all, stewardship, and fairness. Ultimately, the decisions on what is “best” to address problems and challenges must be local, and based on the environment, culture, and involvement of a “place.” The people and institutions of a community must decide what is “best” for that place – that is both a democratic and practical model for rural development.²

We once wrote that good rural development conserves the best in people; the resources they live from, the values that nourish them, and the institutions that sustain them. Good rural development should also shape change in ways that conserve the future of rural people and rural communities. Our goal here is to provide examples of how individuals, communities, and organizations have practiced good rural development consistent with an ethic of conservation – conserving values, resources, institutions, and the future.

We do not lift up these examples to impose them as “best,” but rather to spark interest in those seeking strategies to revitalize their communities. We believe these are examples of rural development that conserves the best in people and communities.

When we began this project we sought examples of rural development strategies, projects, and initiatives. We were overwhelmed with the response and the creativity that is occurring in rural communities throughout the Great Plains and beyond. Unfortunately, we were not able to place in this report all the strategies, projects, and initiatives referred to us. We did not rate the referrals we received, but rather attempted to construct a cross-section of strategies, projects, and initiatives – location, geographic focus, and size were some of the criteria we used in selecting a limited number of examples. If you referred an item to us and it is not included in this report, we apologize – all the referrals we received are worthy and we are highlighting more of them in the Center for Rural Affairs monthly newsletter. (available at www.cfra.org)

¹ *Half A Glass Of Water* (1990); *Trampled Dreams: The Neglected Economy of the Rural Great Plains* (2000); and *Swept Away: Chronic Hardship and Fresh Promise on the Rural Great Plains* (2003).

² We graciously thank Terry VanDerPol of the Land Stewardship Project in Minnesota for reminding us of this.

We include six categories of strategies, projects, and initiatives in the report – we believe these are categories of rural economic and community development that are crucial for viable rural communities, especially ones that are agriculturally-based. The categories are:

- Community-wide development efforts based on local environment
- Community support for local farmers and ranchers
- Rural microenterprise programs
- Community-wide initiatives focused on quality of life variables
- Small- and moderate-size farm and ranch processing and marketing
- Agricultural cooperatives for niche and specialty markets

In *Swept Away: Chronic Hardship and Fresh Promise on the Rural Great Plains*, we stated that we thought the future of the region’s small, agriculturally-based communities holds abundant promise if a new rural development paradigm is swept in. That view has been reinforced by our examination of the projects, initiatives, and strategies highlighted here and the others referred to us.

The creativity and commitment of people focused on their place and its future are both humbling and moving. These examples and hundreds more like them show that people can create their preferred future and do not need to remain passive in the face of man-made trends. We believe the forces of creativity and dedication can trump the trends found in much of rural America. The examples here can make straight the crooked paths of a rural development model that has not benefited much of rural America.

In our previous studies we invoked the spirit of the pioneers whose dreams created the farms, ranches, and towns of the Great Plains, and issued a challenge to the modern day dreamers to take up the mantle of responsibility to create a rural revival. While government, the private sector, and philanthropy are important components of a rural future, the decisive responsibility lies within those in the thousands of communities dotting the landscape of the rural Great Plains and rural America. Only they can decide if these communities have a future and the course of that future. Only they can decide if dreams die or find a rebirth.

The Center for Rural does not endorse any of the products or businesses listed herein; the information provided is for explanatory purposes and as examples of what we consider good rural development. The Center for Rural Affairs also received no financial benefit from including any of the examples in this report. All information and data included herein was obtained from the entity in question as a result of a request from the Center for Rural Affairs, or from public sources such as websites.

Access Illinois Outdoors

According to the Two Rivers Resource Conservation and Development, Inc. (Two Rivers RC&D), Illinois is home to bountiful outdoor resources – over 4 million acres of woodland, 6 million acres of rural grassland, 1.2 million acres of wetlands, over three-quarters of a million acres of open water, and abundant wildlife. This local environment – much of it in private ownership – made Access Illinois Outdoors a logical development initiative in rural Illinois.

Access Illinois Outdoors was started in west-central Illinois as a project of the Two Rivers RC&D in partnership with USDA Rural Development and the Illinois Department of Natural Resources. It is a voluntary program making private lands available for recreational activities based on the natural resources of rural Illinois – hunting, fishing, hiking, bird watching, camping, trail riding, photography, for example. The program provides multiple purposes – recreational opportunities for land users that may not be otherwise available, supplemental income for land owners, and economic development to rural communities and businesses.



Interested land owners and land users register for the program through completion of registration forms – including web based forms – that contain contact information as well as descriptions of available land and interests. Land users pay an annual membership fee of \$25 (individual) or \$50 (family) for the program services. Land owner profiles and land user profiles are matched. Land owners are provided three to four land user profiles to select from to make arrangements for use of the registered land. Only registered land owners and land users may participate in the program.

According to the program’s website, 425 land owners have registered over 178,000 acres in 31 counties. A cluster of counties in west central Illinois bordering the Mississippi River has the most land owners and land registered. The Two Rivers RC&D is headquartered in Pittsfield, Illinois, in Calhoun County bordering the Mississippi River. However, registered acreage exists in all areas of Illinois, save the extreme northeast part of the state dominated by Chicago and its suburbs. This represents a significant increase in program participation since 2002 when the *Federal Funding Sources for Rural Areas: Fiscal Year 2003* (published in August 2002 by the National Agricultural Library) reported that 140 land owners registered 42,000 acres in the program.

The program has provided significant income to participating land owners. In 2002, a total of 450 registered land users led to 140 of them entering into land use agreements with 50 land owners; these agreements generated over \$250,000 of income, or an average of \$5,000 in additional income per land owner.



Using an Income Multiplier of 2 (the United States Department of Commerce standard multiplier for agricultural products; and we use “agricultural products” as a proxy for the land held by land owners enrolled in project), this means an average \$10,000 annual income change in the county per land owner. The economic benefit this additional income generates for the local area is even greater if communities can “plug the leaks” and keep more money locally. For example, if the community – through spending patterns and economic decisions – can retain 80 percent of the additional income locally, this additional \$5,000 income to land owners would generate nearly \$20,000 in local economic activity.

Analysis

While the average land owner does not appear to be getting rich through participation in this program, it does provide welcome supplemental income for land owners and additional income for communities as a result of the local environment. The increased participation of land owners will no doubt increase the number receiving financial benefits from the program.

The use of a third party intermediary such as an RC&D organization is wise, particularly when private land ownership is the subject of the development initiative. Use of an independent, third party intermediary brings about a community-wide perspective and reduces the potential tension between otherwise competing interests, such as land owners and land users.

An initiative such as this has the potential to act as a catalyst for the creation of local “clusters” focusing on the native environment. For example, Access Illinois Outdoors could be the catalyst for clusters of local businesses that include lodging, food, guides and outfitters, and outdoor and recreational equipment. These clusters of related businesses will provide additional community income and economic opportunities that will likely have sustainability because they will be based on the local environment. Assuming communities also include measures to protect and support the local natural environment, initiatives such as this have the potential to flourish and be long term. Stewardship of the community environment must also be a significant portion of any development plan based on the local natural resources.

Wind Power

Many areas of the Midwest and Great Plains contain significant wind capacity. Iowa, Kansas, Nebraska, Minnesota, North Dakota, and South Dakota are among the states with the largest potential to harness wind for electricity generation. These states are often referred to as the “Saudi Arabia of wind generation”.



The U.S. Department of Energy found that North Dakota has the largest “reserves” of wind of any state. North Dakota alone has the wind capacity to provide 36 percent of the electricity demand for the 48 contiguous states. The three “windiest” states – North Dakota, Kansas and Texas – could provide enough wind power generation for most of the nation’s electricity needs.

Despite this abundant and renewable local resource, the production of power from wind remains marginal compared to its potential. The states of the Great Plains – in conjunction with utility providers and electrical cooperatives – have begun to place a greater emphasis on wind power. An interesting, and developing, use of wind as a local resource is how communities can employ wind as a source of local power generation. We offer examples of two such communities.

Sacred Heart Monastery: Wind on the Prairies

The Sacred Heart Monastery located in Richardton, North Dakota, (population 619) is a 31 member Benedictine Sisters community.

In the mid-1990s, faced with rising energy costs, the community became interested in wind generated electricity. The environmental values of the Benedictine Sisters and their commitment to renewable sources of energy also lead them to consider wind as a source of the electricity needed for the monastery. In June 1997, the monastery installed two 100kwh turbines for an approximate cost of \$120,000. The monastery plans to keep the current turbines in use until 2007 (a 10-year period). After that time, the turbines will be replaced with equipment that is state-of-the-art at the time.

Savings realized by the community in the first 3 years of the wild power project			
Year	Reduced Utility Charges	Money Raised From Excess Electricity	Total
1997	\$11,500	\$500	\$12,000
1998	\$15,000	\$900	\$15,900
1999	\$13,000	\$700	\$13,700
Total	\$39,500	\$2,100	\$41,600

Wind Power

In its first three years, the project realized a savings of about 45 percent of its electricity costs. The project also annually prevents about 200 tons of greenhouse gases from going into the air, the equivalent of planting over 40 acres of trees annually.

Moorhead, Minnesota: Capture The Wind®

Moorhead, Minnesota, is a city of 32,000 located on the western border of Minnesota (across the state line from Fargo, North Dakota). In 1998, Moorhead Public Services (MPS) began the Capture the Wind® program in order to allow its customers an opportunity to obtain wind-generated electricity. The wind power is currently generated by two wind turbines owned and operated by Moorhead Public Services, a municipally owned utility. Customers are allowed to “subscribe” to the program, with one-third of their coal-generated power coming from wind and the remaining two-thirds from hydropower. Capture the Wind® Subscribers are charged slightly more – no more than a half-penny per kilowatt hour; for the average residential customer, this rate equals about \$5 per month.

Both wind turbines are fully subscribed, with over 900 MPS customers (7 percent of the total customer base) participating in the program. The National Renewable Energy Laboratory has ranked MPS first in the nation for customer participation rates. In 2003, the program generated nearly 3.2 million kilowatt hours of electricity, enough to power 288 Moorhead homes. The program also prevented 7 million tons of greenhouse gases in 2003, the equivalent of removing 685 cars from the road or planting 935 acres of trees.

Analysis

These examples show how communities of very different sizes can take advantage of a nearly constant local resource. Both communities recognized the potential of wind power generation for financial savings, customer choice, and environmental stewardship. While not necessarily contributing directly to the economic development of a community, both projects demonstrate a commitment to the natural environment of their communities through the use of a local natural resource. Such a long-term commitment to the local environment will serve to make a community a more attractive place for economic and community development.

Contact: Sacred Heart Monastery ● 8969 Highway 10 ● Richardton, ND 58652 ● Phone: 701-974-2121 ● Fax: 701-974-2124 ●
E-Mail: webmaster@sacredheartmonastery.com ● Website: www.sacredheartmonastery.com

Moorhead Public Services ● 500 Center Avenue, P.O. Box 779 ● Moorhead, MN 56561 ● Phone: 218-299-5400 ●
Website: www.mpsutility.com

Salem Ag Stewardship Committee

When three 80-acre tracts sold for \$1,500/acre – double the going rate – Lyle Preheim became concerned about the future of his small community and the ability of his neighbors to make a living in farming. Like most areas of the rural Great Plains and Midwest, southeast South Dakota was losing farmers, and its rural towns were losing population. Lyle shared his concern with his church community, and in 1991 the Salem Ag Stewardship Committee was born.



Thirty families – all members of the Salem Mennonite Church – each deposited a \$1,000 Certificate of Deposit in either the Merchants State Bank or the First National Bank of Freeman (now Cor Trust Bank). These CDs were matched by a total contribution of \$50,000 from the banks. Based on these investments, 10 young farm families were able to use the CDs as collateral to receive \$8,000 loans at the same interest rate as the CDs would earn.

The loans assisted in purchases or necessities to keep a farming operation viable – for instance, repairing existing equipment or purchasing used farm trucks. In case of default, all CDs would be tapped; no CD is tied to any one loan. The recipients of the loans are anonymous to the CD holders, and only the committee knows who receives a loan and its status.

To date, there have been no defaults on the 12-year loans; eight borrowers have repaid their loans and two are on track to satisfy their loans in Fall 2004. Because the interest rate is lower than a conventional loan, each farm family also realized \$2,000 in interest savings.

Total loaned to farmers as of 2004	\$80,000
Interest savings realized	\$20,000 (\$2,000 per borrower)
Farmers receiving assistance	10
Average loan size	\$8,000
Maximum loan size	\$8,000
Loans are used for	Farm operating expenses – at the discretion of the borrower
Current number of CD holders	30

For Further Information: Lyle Preheim ● 44229 281 Street ● Freeman, SD 57029 ● Phone: 605-925-7216

Analysis

Though the effort of this church community by itself will not be able to save anyone's farm, the committee is making a bold statement that young farmers are essential to their rural community, and they deserve support and assistance. The use of contributions in the form of CDs by church members and the contributions by the local banks is a creative effort by people concerned with the future of their community.

One concern expressed is the question of sustainability of the project. The original initiators had a self-imposed term limit of three years on the committee. The hope was to get many people involved in the project. As the committee dynamics change, the vision has lessened and new members are becoming less involved. There is concern this will result in the death of the project. Initiatives such as these need to address from the outset the sustainability of the project beyond the initial efforts.

Beginning a project such as this in a local church is wise since it would presumably draw on common values and relationships. However, initiatives such as this need to and can extend to the larger community. Involving non-church institutions such as banks is also crucial; they serve as representatives of the larger community. Involving other community institutions – schools, businesses, and agricultural and commodity groups – would allow initiatives such as this to reach a larger audience and be a true community-wide effort.

Rural Enterprise Assistance Project (REAP)

The Rural Enterprise Assistance Project (REAP) was created in 1990 by the Center for Rural Affairs in response to a need for rural small business owners to get the necessary financial support and assistance to begin and/or expand their business.

REAP offers small business management training, networking, one-on-one technical assistance, and small loans to businesses. REAP implements these services through a “dual delivery” system by offering both association (peer group) and individual options for receiving services. Also, the REAP Women’s Business Center (WBC), the first such program in Nebraska, continues to excel in reaching rural women entrepreneurs. The REAP WBC service center entered its fourth year of operation on July 1, 2004.

Additionally, REAP is in the pilot phase of creating the REAP Hispanic – Rural Business Center (RH-RBC). The RH-RBC provides REAP services to the rural Latino population in Nebraska. REAP uses its existing infrastructure with business specialists located throughout Nebraska to deliver the WBC and RH-RBC services in conjunction with current services.

REAP contributes to client income by offering services that help either start, expand, or improve small businesses. In most cases, REAP borrowers are not bankable. The ability for the client to borrow money is critical in either starting or expanding a business. REAP fills four gaps for startup and existing small businesses in rural Nebraska: credit, business education, networking, and one-on-one technical assistance. REAP also offers a loan packaging service.

As of August 2004, REAP has 443 members, 54 percent of whom are female. It is estimated that 70 percent of those receiving REAP services (loans, training, technical assistance) are women and 75 percent are low- to moderate-income.

Businesses started or assisted through	4,000
Individuals provided REAP services	7,950
Jobs created as a result of REAP services	5,000
Amount of capital directly loaned by REAP	\$467,423 in 274 peer loans \$1,983,408 in 141 direct loans
Capital leveraged through REAP	\$4,009,820 (tracking began in 1999)

Contact: Jeff Reynolds ● Program Director ● PO Box 274 ● Plymouth, NE 68424-0274 ● Phone: 402-656-3091 ●
E-Mail: jeffr@alltel.net ● Website: www.cfra.org/reap

Rural Enterprise Assistance Project

REAP has also been successful in alleviating poverty in rural Nebraska. In 2002, REAP members were surveyed on how REAP participation affected their household and business asset levels and their business and household income. In general, REAP participation significantly increased asset and income levels, both on business and family levels. The tables below outline the data for the asset and income levels surveyed.

Business Assets		
Asset Level	Before REAP	After REAP
Below \$5,000	55.1%	34.7%
\$5,000-	8.2%	24.5%
\$20,000-	20.4%	12.2%
\$50,000 +	12.2%	26.5%
Missing Info	4.1%	2%

Household Assets		
Asset Level	Before REAP	After REAP
Below \$5,000	4.1%	4.1%
\$5,000-\$19,999	26.5%	22.4%
\$20,000-\$49,999	30.6%	24.5%
\$50,000 +	28.6%	40.8%
Missing Info	10.2%	8.2%

Business Gross Revenue		
Asset Level	Before REAP	After REAP
Below \$5,000	53.1%	40.8%
\$5,000-	8.2%	16.3%
\$20,000-	16.3%	14.3%
\$50,000 +	12.2%	20.4%
Missing Info	10.2%	8.2%

Family Income		
Income Level	Before REAP	After REAP
Below \$14,999	8.2%	4.1%
\$15,000-\$29,999	38.8%	42.9%
\$30,000-\$49,999	26.5%	24.5%
\$50,000 +	16.3%	20.4%
Missing Info	10.2%	8.1%

Analysis

The services provided by REAP have had significant impact on the asset and income levels of REAP clients. In nearly all the categories presented in the REAP client survey, clients improved their business asset levels, household asset levels, business gross revenues, and household income after REAP involvement. Of particular interest is that the number of participants with family incomes below \$15,000 was cut in half after REAP involvement. Conversely, the number of REAP participants with family incomes over \$50,000 increased by over 25 percent after REAP involvement.

Analysis (cont.)

It appears from these results that REAP has contributed to enhancing rural family incomes by both alleviating poverty in many families and increasing the income levels of the highest income families.

- The survey results also suggest a very clear “step up” process in business asset holdings and business revenue; REAP businesses were “stepping up” to the next highest asset and revenue level after their participation in REAP.
- Despite its success, REAP faces challenges, particularly in funding. Much of REAP’s budget comes from public sources – the U.S. Small Business Administration and the Nebraska Microenterprise Partnership Fund. Public funds are always subject to political forces and legislative budget-making. The Nebraska Microenterprise Partnership Fund, for example, has lost over half its funding since 2001, thus decreasing REAP’s funding and impacting its services. The SBA witnessed an attempt in 2004 to eliminate funding for its microenterprise technical assistance program, a program REAP greatly depends upon. As long as REAP is dependent upon public funds, these challenges will remain and the services REAP provides will be at risk.
- REAP is the nation’s largest statewide, rural microenterprise program. That means geography is a challenge, and would be a challenge for a similar program in any Midwestern or Great Plains state. REAP has mitigated this challenge by placing staff scattered throughout Nebraska rather than in a central location. Still, the simple size of a state and the number of rural communities and people that need services will always be an issue (particularly when combined with funding challenges).
- To further mitigate its funding, geographic and staffing challenges, REAP has

wisely instituted many effective collaborative relationships with other small business and economic development entities.

An example is a special loan product for members of GROW Nebraska, an organization of rural artisans. This is an excellent example of how rural development initiatives can be both more effective and efficient – the challenges REAP faces are not unique to any rural area and similar partnerships will be necessary in any rural area.

- In an effort to achieve more scale for the program, REAP has recently instituted new products that provide larger loans and more individualized services. These were instituted in large measure because of client demand. While necessary to address the needs of rural clients who may not have access to local REAP associations and to those “step up” clients who have needs for larger businesses, there are also concerns. Less emphasis on local associations has the potential to lose the community aspect of microenterprise development, and an increased emphasis on larger loans has the potential to diminish the low-income client and poverty alleviation aspects of REAP. REAP recognizes this and has instituted the “dual delivery” system, which adds another layer of complexity and challenge to the program.
- REAP has shown its flexibility to adapting to changing rural demographics. As agriculture has changed, many more farm families are looking for supplemental or alternative enterprises. That demonstrates the importance of the REAP Women’s Business Center. Hispanic population grew over 155 percent in Nebraska from 1990 to 2000, much of the growth centered in rural Nebraska. That demonstrates the importance of REAP’s work focused on Latino entrepreneurs.

Sirolli Institute

Enterprise Facilitation™

Founded in 1996, the Sirolli Institute is a global education and training organization with the mission of introducing Enterprise Facilitation™ to communities seeking to grow their economies from within. The mission of the Sirolli Institute is to promote economic and community revitalization by capturing the passion, intelligence, imagination, and resources of local entrepreneurs.

When invited, the Sirolli Institute helps communities establish a community-based organization that works in concert with existing economic development efforts to assist entrepreneurs.

The Enterprise Facilitation™ model starts with one or more community leaders becoming aware of the model and seeking further information. Community meetings are convened to expose local leaders to this approach. This results in the formation of a steering committee that seeks local participation and funds.

Once funds are committed, the initial steering committee becomes the local Board of Management. This newly established board is then trained by the Sirolli Institute in both the philosophy and practices of Enterprise Facilitation™, and instructed on how to recruit their full time operative, the Enterprise Facilitator. The local board then selects and appoints the Enterprise Facilitator, who is then trained by the Sirolli Institute. Boards and Facilitators are trained on how to locate clients, how to relate to them and, most importantly, how to help entrepreneurs go from idea to rewarding enterprise.

Currently, this model has been implemented in 15 communities in California, Idaho, Kansas, Minnesota, Oregon, South Dakota, British Columbia, and Ontario.

The data below concern the performance of certain projects in the United States. The information provided is the most current project information and was reported by the projects.

Idaho-Washington/Adams County 10/01-11/03

Combined Population	New Jobs Created	New Businesses Created	Sustainability Utilizing Enterprise Facilitation	Businesses Retained
13,384	199	31	90%	170

Kansas – Chautauqua/Elk/Woodson/Greenwood Counties 06/02-07/04

Combined Population	New Jobs Created	New Businesses Created	Businesses Expanded	Businesses Retained	Jobs Retained	Estimated New Sales	New Capital Invested
18,988	72	17	3	2	23	\$1,525,000	\$806,000

Richfield, Minnesota 06/98-06/04

Combined Population	New Jobs Created	Businesses Expanded	Projected Gross Revenue	2004 Average Cost per Job
168	57	34	\$28,082,000	\$1,667

Minnesota – Lincoln County 1990-2003

Combined Population	New Jobs Created	New Businesses Created	Businesses Expanded	Jobs Retained
6,429	348	125	122	329

Since the inception of the project...

- The number of families at or below the poverty level is down 46.3 percent
- Median household income is up 64.5 percent
- Families with combined income ranging from \$35,000 to over \$150,000 realized a combined increase of 714 percent

Oregon – Baker/Wallowa Counties 07/00-12/03

Combined Population	New Jobs Created	New Businesses Created	Sustainability Utilizing Enterprise Facilitation
23,938	161	49	93%

Analysis

- The theory behind a community Enterprise Facilitator is a solid and promising one. The Facilitator provides a central point for entrepreneurs to gain information, assistance, referrals, and services. There is, however, a potential concern. So much of the success of the Sirolli model depends on the skills and strengths of the local facilitator. A 2003 report of the Center for Rural Entrepreneurship on the Sirolli projects in Kansas found that one regional project had to terminate its Facilitator, thus impeding progress of the project (*2003 Kansas Sirolli Institute Evaluation Report: Year Two Evaluation Report*, Center for Rural Entrepreneurship, December 2003). The evaluation of the Kansas projects found success of local projects depends quite clearly on the strengths of the local facilitator.
- The Enterprise Facilitation™ model has clearly worked on multi-city, multi-county, and regional levels. That is a promising development because of the growing need for rural development to operate more on a regional level. However, there is a question on how well the Sirolli model will work in small, remote, agriculturally-dependent rural areas simply because of the geographic demands that would be placed on the facilitator. The Sirolli Institute suggests a regional project population level of 5,000 to 50,000. In rural Nebraska, for example, it could take up to 10 counties to meet the geographic minimum. An intense project spread over that geographic area might not be feasible. It appears the Sirolli model might be best suited for more densely populated rural areas.

The size and economic circumstances of a region may also determine how feasible the Sirolli model would be. The Sirolli Institute states that a community must put up \$50,000 in fees and travel plus the salary of the facilitator to participate in the program. That represents an enormous burden on small, low-income communities that may lack community resources for such a project. Some states – notably Kansas and New Mexico – have assisted communities in the cost. The initial three Sirolli projects in Kansas were partially

financed by \$600,000 in Community Development Block Grant (CDBG) funds, but the total cost of the projects was \$900,000, leaving \$300,000 to be paid by the project communities. New Mexico offered to cover 66 percent of the cost of the first Sirolli pilot project in that state. The issue of community buy-in is a sound one, but many small communities may find it difficult to participate at such a price.

- The Enterprise Facilitation™ model has an air of hierarchy in it. One of the initial aspects of a project is the establishment of a community steering committee or core committee that is given control over the project and the facilitator. It appears that most of the members of these committees in the project communities are members of the community financial, business, and political elite. Such an outcome may serve to lock in the social and economic structure of the rural community in question. If this is intended to be a sustainable grassroots movement, it would be wise for communities to be aware of this possibility and address it.
- The projects that now exist appear to be closely aligned with not only the Sirolli Institute but state and local governments. That has the potential to compromise independence and ally the projects with political forces. Eventually, moves toward true sustainable independence will be necessary. The Kansas evaluation makes several good points in this regard, particularly on the ebb and flow of interest by political officials and policymakers. If a project becomes too intertwined with public agencies and officials, a change in administration or political priorities could be fatal.

As the Kansas evaluation found, we believe the Sirolli Institute Enterprise Facilitation™ model to be a worthy and promising initiative. It has created new businesses and jobs in the rural communities in which it has been employed, and, as it promises, captures the “passion, imagination and resources” of rural people. If, as we believe, entrepreneurship is the ultimate answer to rural economic development, projects like the Sirolli model are certainly part of the equation.

BizPathways—Minnesota Rural Partners

BizPathways links businesses to the business development resources they need to grow and seeks to create a sense of community entrepreneurship in rural Minnesota.

Minnesota Rural Partners (MRP) received a three-year, \$526,013 grant in October 2001 from the U.S. Department of Commerce, Technology Opportunities Program, to create the Virtual Entrepreneurial Network (VEN) (now known as the BizPathways Network). Based on earlier work and recommendations from MRP's Rural Entrepreneurship Academy, VEN was identified as an initiative to spur entrepreneurship and streamline small business development in rural communities throughout Minnesota.

VEN is both a place- and interest-based community network for peer support (Entrepreneurial Community Clusters) and an Internet portal (www.bizpathways.org) with advanced technology tools to guide and incubate entrepreneurial activity.

Emerging entrepreneurs, businesses, and communities use BizPathways to navigate what can be a confusing maze of small business development resources. BizPathways unique com-

bination of physical entrepreneurial clusters and virtual online tools address needs customized to each user, connecting them to the appropriate resources in the private, public, non-profit, and academic sectors. It also encourages new resources where needed.

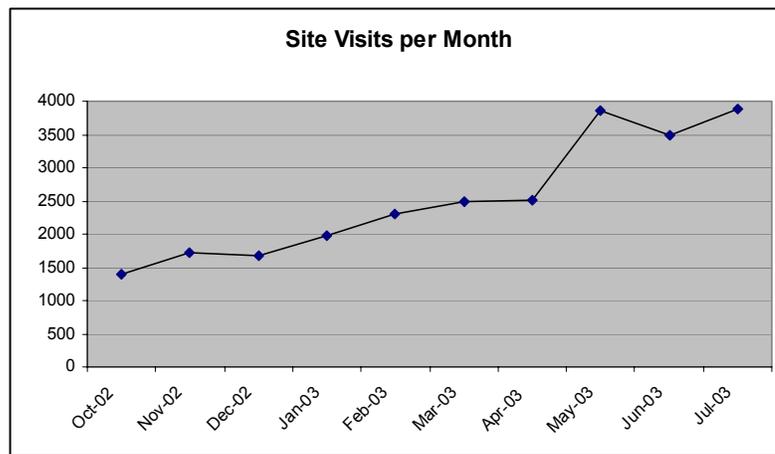
Once registered on the BizPathways site, individuals and communities are offered self-assessment tools and other interactive technology that provide coordinated and timely information based on preferences, business locations, and stage of business development. Communities, individuals, and organizations can work together and use the tools to mobilize public, private, and non-profit sector resources in and outside of Minnesota to help small businesses grow.

Via the virtual tool, bizpathways.org, rural entrepreneurs are connected to resources available but often physically distant in academia, the private and non-profit sectors, and in government. Many of these resources provide services on-line. They also encourage e-business implementation and build know-how for business-to-business and business-to-consumer e-commerce.

In a recent examination of BizPathways, the Center for Rural Entrepreneurship³ conducted and analyzed survey responses from registered users of the website.

Of 461 registered users, 70 percent are from Minnesota and about 58 percent have never owned a small business before. Registered users come from 21 different states and 4 countries.

Though it is difficult to determine who has visited the website, whether it was registered users, interested persons, or MRP staff, there has been a steady increase of number of visitors to the site since its inception.



Over half of the entrepreneurs surveyed stated that using BizPathways has improved their business operation or business experience; 23 percent said it had little or no effect on their business. Many entrepreneurs that found BizPathways helpful commented positively on the resources that assisted with business plans and financing.

BizPathways also appears to be a relatively constant source of information as the chart below shows.



Service providers also indicated benefits from BizPathways. Besides being a referral service, BizPathways also helps to make service providers more efficient. BizPathways operates as screener of the “wheat from the chaff” by allowing those with business ideas to use BizPathways to explore the feasibility of an idea rather than spend time with a service provider in determining this. Once BizPathways has helped an aspiring entrepreneur determine the feasibility of an idea, the service provider can provide more targeted and efficient services.

Because of recent funding issues, BizPathways has announced it will charge an annual subscription fee of \$52 beginning October 1, 2004.

Analysis

BizPathways is a replicable model for providing online, virtual support to small businesses trying to develop or expand in rural communities. It is a particularly efficient and effective model for those areas that service providers find difficult to access – remote, agriculturally-based communities, for example. BizPathways provides an initial source of information and resources to any aspiring entrepreneur and allows service providers to provide subsequent assistance. With the funding challenges as discussed in the REAP section, facing many rural service providers and rural communities, an initiative such as BizPathways allows service providers to allocate services efficiently and effectively.

An initiative such as BizPathways is particularly useful given a lack of financial and physical resources for rural entrepreneurs. Small Business Development Centers and other service providers are spread thin, under funded, and cannot possibly meet the needs of all aspiring businesses. An initiative such as BizPathways would allow innovative entrepreneurial ideas to be matched with needed resources while not placing added burdens on public and private resource providers. BizPathways allows anyone with an idea to seek information and resources in convenient and accessible local surroundings; with internet access now available in nearly all schools, libraries, and government offices, such an initiative brings entrepreneurial resources to even the most remote rural community. A project like BizPathways is an excellent complement to traditional service providers and makes the possibility of entrepreneurial activity more accessible to more people.

³ 2003 BizPathways Users Baseline Report. Don Macke, Co-Director Center for Rural Entrepreneurship. 317 South 12th Street, Suite 200, Lincoln NE 68508-2197. Phone: 402-323-7339. www.rualeship.org

Information Technology: Access eInfo

Access to and understanding of technology is a significant barrier to rural small business looking to expand beyond local markets and thus enhance the economic development of their rural communities. When that barrier is overcome, a whole new world is opened. Access eInfo is doing just that.

“Access E” is part of the University of Minnesota Extension Service Community Development and Vitality area. Community Development and Vitality programs enhance the economic strength, civic empowerment, technological literacy, and social capital of Minnesota's citizens and communities as they face rapidly changing dynamics in population demographics, technological capacity, globalization, and social change.

“Access E” is a collection of online and outreach programs that seek to help communities, residents, businesses, governments, and nonprofit agencies make wise and effective decisions about using information technology. Among the programs offered is Access eCommerce.

The Access eCommerce program is one in a long line of technology literacy education programs that has been developed at the University of Minnesota. When the Internet began, the University of Minnesota Extension Service made high-speed public access to the Internet available in every county in Minnesota. Basic Internet education followed. After the eCommerce program was developed and delivered across the state in its original version, new educational programs for government, nonprofit and workforce development organizations were created on how to use the Internet to serve and involve constituencies.

Strategy is to gather small businesses with similar needs (e.g., artists, direct-to-consumer farmers, wood tradesmen, small businesses in a specific community, etc.), provide them with comprehensive information about the financial opportunities provided by the Internet, and give them guidance on the development of an Internet business plan for their entrepreneurial effort.

Goal is to improve the technological capacity of rural entrepreneurs so that they can stimulate new income.

Mission is to strengthen local economies through informed community-based decision-making.

Information Technology: Access eInfo

The Access eCommerce educational program developed in Minnesota has been branded or licensed for use for rural development and educational initiatives in 11 other states including Nebraska, North Dakota, Texas, California, Pennsylvania, Ohio, Oregon, New York, Iowa, Illinois, and Alaska.

Access eCommerce allow rural businesses to contribute to the enhancement of rural economies by providing them the tools to expand their market base beyond local markets. For example, a small town wooden toy maker was discovered online by Disney and was asked to design toys for the movie *Gepetto*. Small town entrepreneurs can use technology to increase their visibility and showcase their unique products. Trying to eliminate emotional and technical barriers between businesses and Internet-based consumers, Access Ecommerce makes producers aware of many ways they can reach consumers besides starting and maintaining their own web site.

Evidence indicates this strategy is hitting its mark. The Access eCommerce site receives 2,000 visitors per month. Since 1998, over 3,000 rural businesses took advantage of hands-on workshops designed specifically for their needs.

In addition, Access eCommerce contributes to a rural “brain gain” by increasing skills and modernization. Access eCommerce provides demand for Internet infrastructure in the communities it serves and brings enhanced technological literacy to rural places. The capacity and skills of the local entrepreneurial community to solve technology-related problems and make technology-related decisions is amplified.

As needs assessments and research about entrepreneurial activity emerge, Access eCommerce creates at least two specialized programs each year to address emerging entrepreneurial efforts that can use custom-designed programming. For example, 2003 witnessed the development of an educational program especially for rural artists. In 2004, the Minnesota State Arts Board submitted a grant to replicate that program for artists statewide. Also in 2004, educational materials for direct-to-customer food producers were developed.



Analysis

- It is clear that training and skills enhancement lead to economic gains, whether it is higher incomes or asset-building. Programs such as these allow rural people and businesses to boost their skills, thus contributing to economic gains within their rural communities.
- Providing tools for rural businesses to reach beyond their local borders and market base while still remaining based in rural communities hold great promise for rural communities and rural economies. With declining or stagnant populations in rural communities, many rural businesses need to look beyond their immediate area for markets. The economic development philosophy built on “lone eagles” or enterprises conducting regional, national, or international business in rural settings appears to have had only sporadic success. To lift this beyond a sporadic theory, initiatives such as Access eCommerce are necessary for rural people and rural businesses.
- For initiatives based on non-local markets to work for rural communities, more is needed than training and education. Affordable high-speed telecommunications infrastructure is necessary for all communities. Local, state, and federal policymakers and the private sector must work together to make this a reality for all rural communities.

Nebraska Outback

The 1990s were not kind to north-central Nebraska. The region is one of severe demographic and economic distress – the largest population decline of any area of Nebraska, the oldest population in Nebraska, and the highest concentration of low-income counties in the state. To address the condition of the region, the North Central Nebraska Resource Conservation and Development (RC&D) Council and local commu-

nities, businesses, and individuals joined together to create the Nebraska Outback Initiative.

The Nebraska Outback Initiative is a comprehensive economic and community development project to address the issues facing the people and communities of north-central Nebraska. The project provides services to regional communities and projects to obtain and leverage local, state, and federal resources.

RC&D and Central Nebraska Economic Development District staff provides grant writing and other services. Examples of the services provided by the Outback Initiative include:

- Obtaining planning grants for community public works, infrastructure, technology, and economic development projects through the Community Development Block Grant (CDBG) program.
- Obtaining funding from community economic development projects from USDA and state sources; examples of projects include local revolving loan funds and business recruitment, retention, and expansion.
- Obtaining state and federal resources for community housing rehabilitation and construction projects and projects that provide assistance for local home buyers.
- Supporting regional tourism by supporting the Scenic Byways in the area – four of the state’s nine Scenic Byways are located in the region.
- Supporting regional marketing efforts by sponsoring conferences, local business development efforts, and the “Comeback to the Outback” campaign, a campaign to bring back regional natives to live and develop businesses.
- Providing loan packages for businesses developing or locating in the area. An example is the recruitment of Technolent, a California-based computer technical assistance that located a 50 job office in the region.

Analysis

The Nebraska Outback Initiative is an excellent example of a regional initiative seeking to address quality of life and economic development issues. The agency and community partnerships are based on a shared set of values, and, in many respects, a shared sense of needs based on the demographic trends facing the region. This region is comprised primarily of very small communities that could not afford the service provided through the initiative. While regionalism is important in rural economic development, so often it seems smaller communities are sacrificed in the name of “regionalism” and larger communities garner most of the benefits. The Nebraska Outback Initiative is an example of how a region can set aside parochial differences and concerns and work toward the survival of all communities in the region no matter the population.

The dependence on public funds for the bulk of the Outback Initiative’s projects is a concern. As public funding sources are cut and become increasingly competitive – in measure because of the replication of successful initiatives like the Outback Initiative – this dependency may become a serious flaw. The Outback Initiative realizes this – one of the major portions of their long-range plan is to begin “self-sufficiency activities,” such as creation of alternative funding sources, organizational structures, and additional areas of funding support with the long-term goal of becoming less dependent on public funding sources. This may be a considerable challenge in a remote, lightly populated and low-income region, but it is a goal worth pursuing. As discussed elsewhere in this study, dependence on public money is not a path to sustainable progress or growth.

“Mini Homestead Acts”

Small towns all face similar challenges – a dwindling population base to provide adequate economic activity and resources to keep the town and its institutions viable. Many communities across the rural Great Plains are trying to stop the trend of depopulation. In the spirit of the 19th Century Homestead Act, an option that is gaining popularity is the “Mini Homestead Act” – offering free land to those who are willing to locate in a rural community. The main concept behind all of these opportunities is: We have a great town in which to live. We will provide you the land to build your own home, schools for your children, local amenities for you to enjoy. We will leave the job hunting to you. Some examples are outlined below.

Marquette, Kansas

Marquette – a town of 600 in central Kansas – purchased 50 acres in 2003 for \$100,000, and divided the land into 80 lots. The lots are valued at approximately \$8,000 each. The town built streets in the new neighborhood and provides the water, electric, sewer, and gas hook-ups. The lots are given away to potential homeowners who promise to build a house and live there – the town conditions the lot on building a house within one year and living there one year. Nearly 30 lots have been “sold” – almost all to newcomers to town – and the town’s school has seen an influx of over 20 children. As of March 2004, four \$100,000 three bedroom homes had been built, and construction was starting on six more. Officials estimate that each house will add \$1,000 in tax revenue to the town coffers. The town plans to have all the original lots given away by the end of 2005.

“We tried bringing jobs to this town, but you might as well bang your head against a brick wall. We decided it was better to bring in the families and let them work in the surrounding communities. We’ll let them find the jobs – we’ll provide the housing.” Marquette Mayor Steve Piper.

Ellsworth County, Kansas

A neighbor to the county in which Marquette resides is Ellsworth County, Kansas. The county and its municipalities of Ellsworth, Holyrood, Kanopolis and Wilson have adopted the *Welcome Home Plan*. The plan is available to new county residents as well as current county residents. For those considering locating to Ellsworth County, potential applicants are eligible to apply for a free lot for residential construction, down payment assistance, and various fringe benefits and services through the cities in the county.

Current county residents are eligible to apply for a free lot for residential construction and to enjoy home financing assistance through local county banks.

Ellsworth County started with 23 lots and has commitments or houses on six of those lots. Six families bought existing houses using the down payment assistance funds. Twelve children have been added to the county’s school districts through these efforts.

“Mini Homestead Acts”

Kenesaw, Nebraska

In August 2004, Kenesaw began the *Kenesaw Homestead Act*. Adams County Bank invested \$135,000 in 15 plots of land in Kenesaw that are to be given away to people willing to build a home in the town of 800. The lots – valued at \$10,000 each – will act as the downpayment or initial equity in the home. Within days of the program’s announcement, seven of the lots had been given away. For a free lot, a new resident puts down an earnest deposit of \$500 and must have a contract to start building a home. The \$500 will be refunded if the home is finished within one year. Homes in the new development are expected to be valued at \$100,000 to \$120,000 each. Kenesaw Housing, Inc. is using Tax Increment Financing (TIF) to create the housing development. TIF essentially uses future tax payments from the housing development to finance current construction. TIF will be used to install the development’s infrastructure – \$135,000 worth of street, sewer, water and electrical infrastructure. It is anticipated the development will generate up to \$35,000 annually in property taxes, compared to the \$500 annual property taxes the land now generates.

La Villa, Texas

The City of La Villa, South Texas Economic Development Corporation and the Urban County Program are footing the bill for 91 residential and 25 commercial lots in La Villa, a town of about 1,300 in southern Texas. The Urban County Program paid \$750,000 for the property and funded 70 percent of the project. The Rio Grande Valley Empowerment Zone provided the remaining 30 percent. South Texas Economic Development received \$300,000 to build six homes. Non profits and contractors will develop the land. The land is initially free except for property taxes, but there are conditions placed on the land and the “homesteader.” A five-year lien is placed on the property to secure payment on the land. If the land is sold before five years, money is owed the city. If the owner stays for five years and pays the property taxes on time, there is no cost for the land. Future residents of the houses built by the Urban County Program will have to meet low- to moderate-income levels.

New Richland Minnesota

New Richland, a town of 1,200 in south central Minnesota, has plans to buy farmland and give away lots that are approximately 86 x 133 feet in its new *Homestake Subdivision*. If every lot is filled, it is estimated the town could grow by 50 to 60 people. The city plans to use TIF to reduce infrastructure assessments over 15 years. To qualify for the reduced assessment, one must have an income of \$66,000 for a family of two or fewer, or an income of \$75,900 for a family of three or more. If the applicant doesn’t meet the income guidelines, one would still be eligible by paying the assessment amount amortized over the 15-year period. The house must be built within a year. This program is expected to begin in December 2004.

Analysis

“Mini-Homestead Acts” appear to be reasonable and creative responses to declining population in rural communities. Several conditions need to align if such programs are to be successful:

- The towns that can likely take advantage of a ‘Mini-Homestead Act’ program are limited. The most successful projects are probably those towns close to and within easy commuting distance of larger cities. For example, Marquette, Kansas, is within an hour drive of Salina and Hutchinson, both over 40,000 population; Kenesaw, Nebraska, is within 40 miles of Hastings, Kearney, and Grand Island, all between 25,000 and 45,000 population; La Villa, Texas, is near McAllen and Brownsville, both over 100,000 population; and New Richland, Minnesota, is near Mankato and Albert Lea, both with significant industries and other major employers. Towns remote from larger cities with jobs and significant employers are likely to have a greater challenge drawing newcomers, especially younger families.
- The success of a “Mini-Homestead Act” depends upon available and affordable land. Many rural towns are surrounded by farmland that may not be available or affordable, and many towns lack available land within their municipal limits.
- A “Mini-Homestead Act” also depends upon available financing. State laws concerning Tax Increment Financing may determine the feasibility of financing needed infrastructure, and the purchase of land may depend on the existence of an aggressive and community-minded local bank, a public-spirited local land owner, or local philanthropy such as a community foundation. Many rural communities lack the municipal finances to undertake such a program and will need to rely on members of a community and other community institutions.

To make a “Mini-Homestead Act” program truly viable, other community amenities must exist and must be maintained – community infrastructure, schools, and local businesses for instance. No matter the attractiveness of a community land giveaway, few will want to locate in a community without the amenities and institutions that enhance quality of life.

Marquette, Kansas: City of Marquette, Marquette City Hall, 113 N. Washington, Marquette, KS 67464; (785) 546-2205; <http://skyways.lib.ks.us/kansas/towns/Marquette/>

Ellsworth County, Kansas: Ellsworth County Economic Development, 114 ½ North Douglas. P.O. Box 321, Ellsworth, KS 67439; (785) 531-0160 (phone and fax); eced@classicnet.net; <http://skyways.lib.ks.us/counties/EW/>

Kenesaw, NE: Village of Kenesaw, 208 North Smith, P.O. Box 350, Kenesaw, NE 68956; (402) 752-3222 (phone and fax)

La Villa, TX: South Texas Economic Development Corp., 1800 N. Texas Blvd., Weslaco, TX 78599; (956) 969-3024; stedcinc@hotmail.com

New Richland, MN: City of New Richland, 203 N. Broadway, P.O. Box 57, New Richland, MN 56072; (507) 465-3514

Practical Farmers of Iowa: “Buy Fresh, Buy Local” Program

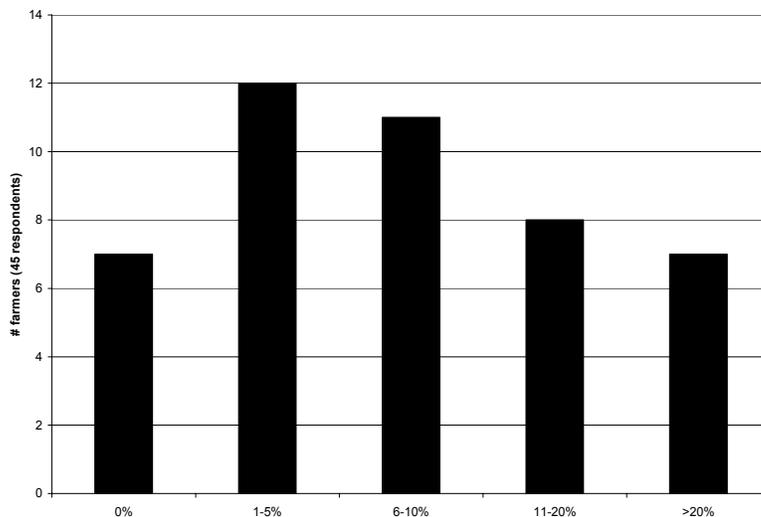
Practical Farmers of Iowa (PFI) is a non-profit, educational organization that began in 1985 and now has over 700 members in Iowa and neighboring states. Their mission is to research, develop and promote profitable, ecologically sound, and community-enhancing approaches to agriculture. PFI’s Food Systems Program supports farm-to-market linkages that increase farm diversity and profitability.

PFI, along with nine other non-profits across the country, participate in the *Buy Fresh, Buy Local* campaign. This national campaign helps local producers market their products to farmers markets, restaurants, institutions, and grocers.

Northeast Iowa was chosen for the campaign’s Iowa premiere in 2003; the University of Northern Iowa has coordinated an institutional and direct-marketing effort in that area since 1997. According to UNI research, every dollar invested in this project results in \$6.50 in community economic impact.

The Northeast Iowa campaign centered on a seven-county area anchored by Black Hawk County, the home of Waterloo and Cedar Falls (location of UNI). The campaign distributed over 20,000 *Buy Fresh, Buy Local* directories featuring over 200 farmers and raised the profile of local foods through advertising and *Buy Fresh, Buy Local* signs and banners. In addition, weekly faxes were sent to eight restaurants, seven institutions, and four grocery stores listing available produce and prices from 20 local farmers.

% Increase in Gross Sales for Farmers Participating in the Buy Fresh, Buy Local campaign in Black Hawk & Surrounding Counties (2002 - 2003)



Practical Farmers of Iowa: “Buy Fresh, Buy Local” Program

The table below shows the results of the program’s institutional buying campaign since 1998. Participating institutions include schools and universities, hospitals, nursing homes and retirement communities, restaurants, and retail food establishments. In seven years, there has been a nearly eight-fold increase in the number of area institutions purchasing food directly from local farmers and a doubling of expenditures on locally-produced foods. From 1998 to 2003, institutions purchased over \$1 million in food directly from local farmers; using the multiplier of \$6.50 of economic impact for every dollar spent on local food, these purchasing decisions pumped nearly \$6.6 million into the local economy.

Local Food Expenditures by Institutions
Cedar Falls/Waterloo IA Area

Year	Number of Institutions	Local Food Expenditure	Local Economic Impact (\$6.50 for every \$1 in expenditure)
1998	3	\$110,773	\$720,024
1999	3	\$134,573	\$874,724
2000	5	\$173,406	\$1,127,139
2001	8	\$165,588	\$1,076,322
2002	7	\$200,730	\$1,304,745
2003	14	\$226,954	\$1,475,201
2004	23	Not yet available	Not yet available
Total		\$1,012,024	\$6,578,155

Analysis

The PFI “Buy Fresh, Buy Local” campaign does have the advantage of being in a relatively populated area anchored by a university. Projects in such areas will undoubtedly have more opportunities for institutional sales than in more remote, less populated areas. It may be thought, therefore, that farmers and ranchers in more isolated areas have fewer opportunities to direct market their products. It is our view that opportunities still exist for farmers and ranchers in more remote areas – it is the challenges that are different. As we discuss elsewhere, farmers and ranchers that are more isolated from markets will need to use more indirect strategies such as retail outlets, internet marketing, catalog sales and other forms of marketing. And more isolated farmers and ranchers may also benefit from contract markets that allow them to sell products to an entity who in turn markets to institutional and retail buyers.

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Shepherd's Dairy

Kim and Larry Curtis are innovative because of necessity. Together, they own and operate Shepherd's Dairy, the only Grade A sheep dairy in Nebraska. The Curtis' dairy is located near Anselmo, Nebraska (2002 population: 159), at the eastern edge of the Nebraska Sandhills. From the milk of their 77 ewes they create and market luxurious sheep milk soaps and lotions.



They bought their first sheep in 1986. They began milking the sheep in 1993, discovering they had a very valuable commodity. When the market demand for sheep milk fell below their supply, they looked for other ways to use the milk. With necessity being the mother of invention, their soap and lotion business was born.

In 2004, the Curtis' will retain 9,000 pounds of milk for their soaps, with the remainder shipped to New York for cheese and yogurt.

Shepherd's Dairy soaps and lotions are marketed in outlets in 36 states and an island in the Caribbean. The first four years of operation have netted a profit for the family. In 2003, the soap and lotion business generated nearly \$11,000 in profit. The business is growing enough that its previous facility, the basement of the family's home, is too small. Construction of a new facility is nearing completion on the family farm. The business has also proved a job maker for the local area, with up to 10 women from the community employed throughout the year.



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E-Mail: ewemilk@nebnet.net ● Website: www.shepherdsdairy.com

Analysis

The Curtis' demonstrate how farmers and ranchers in remote areas can use technology to market their products beyond a local area while providing economic benefit to a community. The Curtis' also demonstrate that farmers and ranchers in the Midwest/Great Plains do not have to be tied to an agricultural mono-culture to be economically viable. Their creative use of an alternative agricultural product is economically viable and is an outstanding example of a sustainable value-added enterprise.

Public policy can encourage businesses such as these through a commitment of additional resources to programs that provide research, capital, and technical assistance to those who wish to engage in such enterprises. State governments and land-grant institutions (through their agricultural programs and Extension Education programs) should design programs that provide resources, education, and assistance to these agricultural entrepreneurs. Federal programs such as the Value-Added Producer Grant Program and the Sustainable Agriculture Education and Research (SARE) Program should have increased resources to allow benefits to more agricultural entrepreneurs and their enterprises. Rather than continue large appropriations to programs that lead to fewer farmers and ranchers on the land, public policy should contribute to rural development and revitalization by committing to programs that benefit the type of agricultural entrepreneurship exemplified by the Curtis family.

Organic Valley Family of Farms/ Cooperative Regions of Organic Producer Pools

Organic Valley is a major economic force in its area and an example of how a business can benefit a rural area. Headquartered in LaFarge, Wisconsin – population 775 – Organic Valley employees nearly 300 people and recently opened a new \$5.9 million headquarters.

History

In 1988, seven small, family farmers in western Wisconsin thought there was a niche for organically produced products, particularly organic dairy products. So they began the Coulee Region Organic Producer Pools (CROPP – recently, this was changed to the Cooperative Regions of Organic Producer Pools).

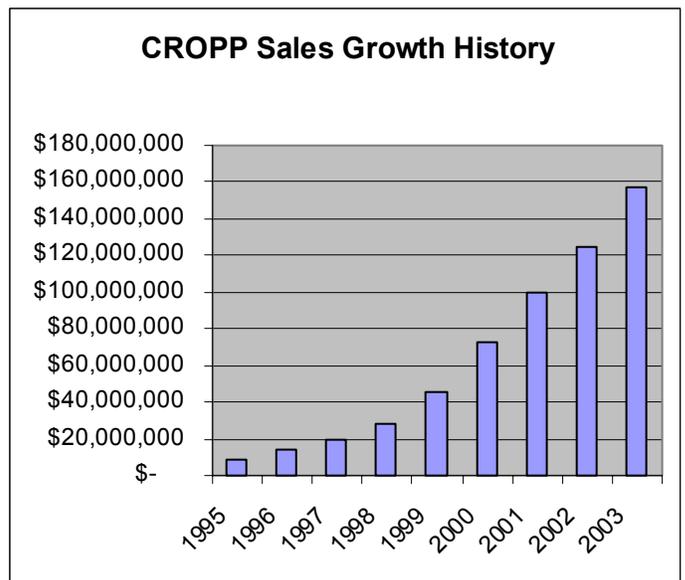
Today

Sixteen years later, and operating under the Organic Valley Cooperative brand name, over 600 farmers in 18 states and a Canadian province sold over \$156 million in organic products. This growth has made Organic Valley Cooperative the largest organic cooperative in the country and the only national organic brand that is 100 percent farmer-owned.

Organic Valley sales have increased over 16-fold since 1995. In 2003 alone, the cooperative added 15,000 acres to its system (a total of 90,000 acres are now in their national organic system), added 118 farmers to the cooperative (as of September 2004, there are 619 farmers in the cooperative), and added nearly 2,700 cows to the system (a total of 20,475 cows are in the cooperative's system).

The cooperative's farmer/members are generally small- and medium-sized farmers. The average size of the dairy farm

in the cooperative is about 50 cows. To place that in context, the average Wisconsin dairy has 142 milk cows and the average dairy in the United States has 185 milk cows according to the USDA 2002 *Census of Agriculture*.



Products Offered

Dairy remains the cooperative's largest pool of farmers and products. However, because of competition in the organic market, Organic Valley has diversified their product portfolio. Eggs, vegetables, citrus juice, and meat are non-dairy products sold throughout the country. Though a small portion of the cooperative's business, sales of non-dairy products are growing at a faster rate than the dairy products.



Financial Model

The financial model of the cooperative remains its chief drawing card to farmers and potential members, and the specialty product premium provided farmers is the primary reason for loyal retention of members. In 2003, the Organic Valley farmer pay price was 40 percent higher than that paid to non-organic farmers. CROPP farmers/members collectively set their pay price based on their costs of production. As a result, throughout the 1990s and continuing to the present, CROPP farmers received a pay price between \$2 and nearly \$9 per hundredweight of milk greater than non-members. And unlike most traditional cooperatives and newer “value added” cooperatives, CROPP farmers receive profits on an on-going basis with premiums included in milk checks distributed every two weeks. CROPP dairy farmers have also benefited from a relatively steady but escalating pay price since 1996 while conventional pay prices have fluctuated wildly during the period.

This economic model allowed Organic Valley to pay \$79.56 million directly to its farmer/members in 2003 (51 percent of its sales). This averaged to a payout of nearly \$126,000 to each farmer/member in 2003.

For additional information on Organic Valley/CROPP, see the case study in *Options and Strategies for Small Farms* by Maria Powell and Greg Lawless of the University of Wisconsin Center for Cooperatives for the North Central Initiative for Small Farm Profitability.

Analysis

One of the keys to the success of Organic Valley/CROPP is the fact they started small and with a specific product line. This allowed them to build their business model and reputation and gradually expand with the organic market. When the organic market began to witness explosive growth and increased demand, Organic Valley/CROPP was in position to capitalize. Rather than attempting to capitalize on an existing market or a hoped for market, the cooperative grew along with the market – in fact, likely contributed to the growth of organic farming and the organic market; there is evidence that CROPP’s presence has contributed to Wisconsin’s placement among the top states in terms of organic acres.

Organic Valley/CROPP’s success has demonstrated that organic farming is a viable alternative for small, family farmers. More important than organic farming per se, the story of the cooperative demonstrates that small farmers can exhibit a degree of flexibility and creativity that may not exist in larger operations, a flexibility that can take advantage of new, emergent markets. Rather than force small- and moderate-size farmers and ranchers into competing – and likely losing – in the same game as larger operations, public policy must provide the tools to advance the creativity and flexibility in small- and medium-size farms and ranches.

As the organic market continues to grow, Organic Valley/CROPP will face new competition from larger corporate retailers and food suppliers. There may be a tension between the desire to serve a lucrative specialty market and the desire to compete with the corporate food system. As the organic food market becomes larger and more popular, it loses some of its specialty status and becomes subsumed into the larger food delivery and retail system. This will test the ability of Organic Valley/CROPP to maintain its growth while still staying true to its farm-operated business model. State and federal laws governing cooperatives will have much to say on how this tension is resolved. There has been some inclination within Organic Valley/CROPP to support laws that allow for outside investors in the cooperative, while the farmer/members have generally opposed that. Despite these challenges, the cooperative has retained its flexibility to respond to consumer demands by introducing new products and farmers – meat and citrus juice products, for example – to enhance its growth.

Home Grown Wisconsin

Home Grown Wisconsin (HGW) is a cooperative wholesale business in south-central Wisconsin marketing produce from member farms to restaurants in nearby cities. HGW's goal is to "expand the market for fresh produce through professional distribution of high quality products that convey the quality, variety, and value of Wisconsin's harvest."

History

HGW was created in 1996 as a result of a University of Wisconsin research project on linkages between farms and local food buyers. Food buyers expressed a desire to purchase from local farms, but wanted a process that was simple, standardized, and efficient. The result was the creation of HGW that links growers and buyers through a consolidated ordering and delivery service.

Today

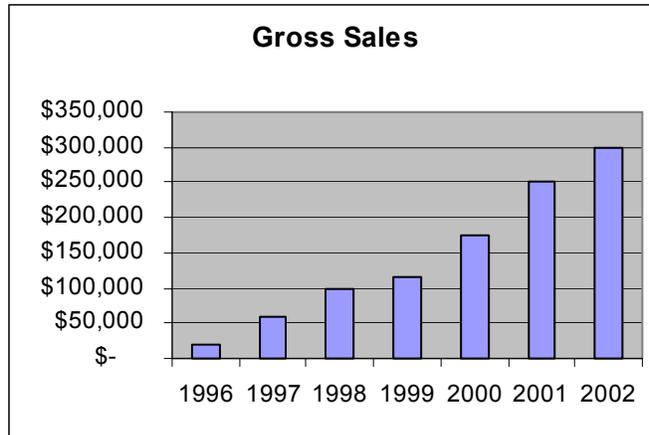
HGW now consists of 25 member farms. All members follow organic practices, but not all are USDA certified organic. HGW is a closed cooperative, with new members considered by invitation only. Members' farms range from small market gardens to those with more than 50 acres in vegetables. HGW sells a variety of vegetables, herbs, and edible flowers, with over 150 items available at the peak season. Berries, apples, cider, and eggs are also sold.

Restaurants in Madison, Wisconsin, were the original market for HGW members. The current primary market is upscale restaurants in Chicago and its suburbs with additional sales to restaurants in Madison, Milwaukee, and Sheboygan. HGW now has approximately 40 customers.

HGW delivers twice per week during the growing season and once during the winter. Sales are divided among members through an allocation, or priority, system. Members maintain their priority status based on their history and ability to provide the amount ordered at the quality desired by customers. The co-op marks up produce 50 percent for items such as trucking, marketing, and rent. So, for example, if a member offers a case of a product for \$20, a restaurant customer is charged \$30.

In 1996, HGW's first year of existence, sales totaled about \$12,000. In 2002, sales totaled about \$300,000. The graph on the following page shows the increase in sales during HGW's history, a 24-fold increase in six years.

Home Grown Wisconsin



Source: *Home Grown Wisconsin: Marketing Fresh Produce Cooperatively*, Center for Integrated Agricultural Systems, University of Wisconsin, Research Brief #69, February 2004.

Most HGW members have other marketing venues – farmers’ markets, Community Supported Agriculture, and direct wholesaling. In fact, according to the Center for Integrated Agricultural Systems, HGW is still a secondary outlet for most HGW members, but that is changing as sales grow and become more predictable.

For more information on the history and organization of Home Grown Wisconsin, see the case study *Home Grown Wisconsin: Marketing Fresh Produce Cooperatively* by the Center for Integrated Agricultural Systems at the University of Wisconsin.

Analysis

Proximity to affluent urban markets is a definite advantage for an initiative such as Home Grown Wisconsin. Farmers and ranchers that are more isolated from such markets will need to use more indirect strategies such as retail outlets, Internet marketing, catalog sales, and other forms of marketing. More isolated farmers and ranchers may also benefit from contractual marketing such as the Niman Ranch model where farmers and ranchers contract to sell meat raised in a certain way and the purchaser markets the product to restaurants and retail outlets.

The perishable nature of vegetables and fruits will determine where a project similar to HGW can flourish. HGW members are required to fill orders within one and one-half days. A project farther away from customers that requires a longer time to fill an order will require different products such as meat or other specially processed items.

Regardless of the location and product, HGW serves as a lesson on what is important for farmers and ranchers involved in direct marketing – HGW is based on the principles of quality and reliability. Any cooperative market serving a specialized market must keep those principles in mind.

Oregon Country Beef

Oregon Country Beef (OCB) is an example of a cooperative serving a specialized market where the producers are remote from their customers and outlets.

History

OCB is a cooperative of 40 ranches in central and eastern Oregon; it began with 14 members in 1986. Most are long-time ranchers in their communities, and all have made a commitment to raise grass-fed natural beef free from growth-stimulating hormones or feed additive antibiotics. Identity of each animal is also kept by the individual member ranches through the entire process, from the ranch to the retail outlet.

Today

OCB now sells \$10 million worth of beef through 61 markets and grocery stores in Washington, Oregon, Idaho, California, and Alaska; 13 restaurants in Washington, Oregon, and California; and through several food service distribution outlets in Washington, Oregon, and Idaho, including SYSCO Food Services of Seattle, Portland, and Idaho.

OCB markets about 24,000 head under its Country Natural Beef Label and in 2005 expects to market around 35,000 head. The demand for OCB's beef is larger than expected – in 2003 the anticipated growth rate of 30 percent turned out to be 44 percent. The co-op is now considering adding rancher/members outside of Oregon (prospective members are from Washington, Idaho, Nevada, northern California, and Hawaii).

Each OCB member is responsible for spending at least one weekend per year doing store visitations or in-store demonstrations. This enhances the connections between the ranchers and their customers (both retail customers and consumers).

Price for OCB products are based on the cost of production, a return on investment, and a reasonable profit. The OCB members believe this provides the income necessary to sustain the co-op and its members. Members elect officers and form teams (such as a marketing team) to accomplish the goals and objectives of the cooperative.

Analysis

Success

OCB is an example of a successful cooperative that is removed from urban areas and filling a specialty market. OCB members are able to remain ranching in relatively remote areas while meeting consumer and customer needs hundreds of miles away.

OCB appears to be free of the bureaucracy that sinks many cooperatives. The rancher members all appear to have a single-minded goal to meet the OCB's mission: producing a sustainable lifestyle for its members by profitably producing a quality product to meet customer demands for taste, integrity, and a healthy environment. This single-mindedness and the personal relationship among members and between members and customers have kept the cooperative unusually focused.

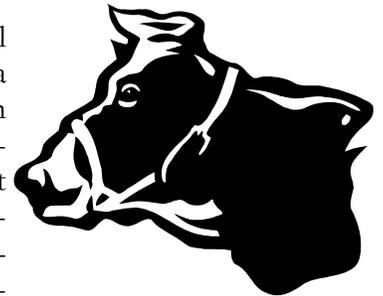
Relatively small cooperatives such as OCB face a number of obstacles:

- In addition to farming or ranching, members must master issues – processing, regulations, shipping and marketing – that they may not be equipped to handle.
- The lucrative and larger markets sought are generally far away from the site of the product and may require more product on a regular delivery schedule than a small cooperative may be able to provide.
- The expertise needed to market and operate a non-agricultural business is often lacking in cooperatives as is the cash flow to retain experts for these tasks.

OCB appears to have conquered these obstacles in some measure because of their structure and their volume. Their structure allows members to be divided into teams that allow for a degree of expertise to form. OCB's focus on marketing is also a plus. It allows OCB to be essentially a rancher-owned marketing organization that represents the individual members in a premium, specialty market. Their volume and member expansion beyond Oregon allow them to meet consumer demand in the larger and lucrative markets.

Like HGW and Organic Valley/CROPP, OCB is unusual in that it began almost as a social movement – believing a certain type of farming and ranching and food production was healthier for people and the land – and has maintained that focus and risen a consumer tide of agreement that has translated into sales. Rather than trying to capitalize on something new, all three cooperatives created a recognizable brand based on quality and reliability and capitalized on a market that caught up with their product.

There are excellent lessons of vision, courage and resolve in all three cooperatives.



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