



# **Economic Realities of the Region**

**Ken Meter**

**Crossroads  
Resource Center  
(Minneapolis)**

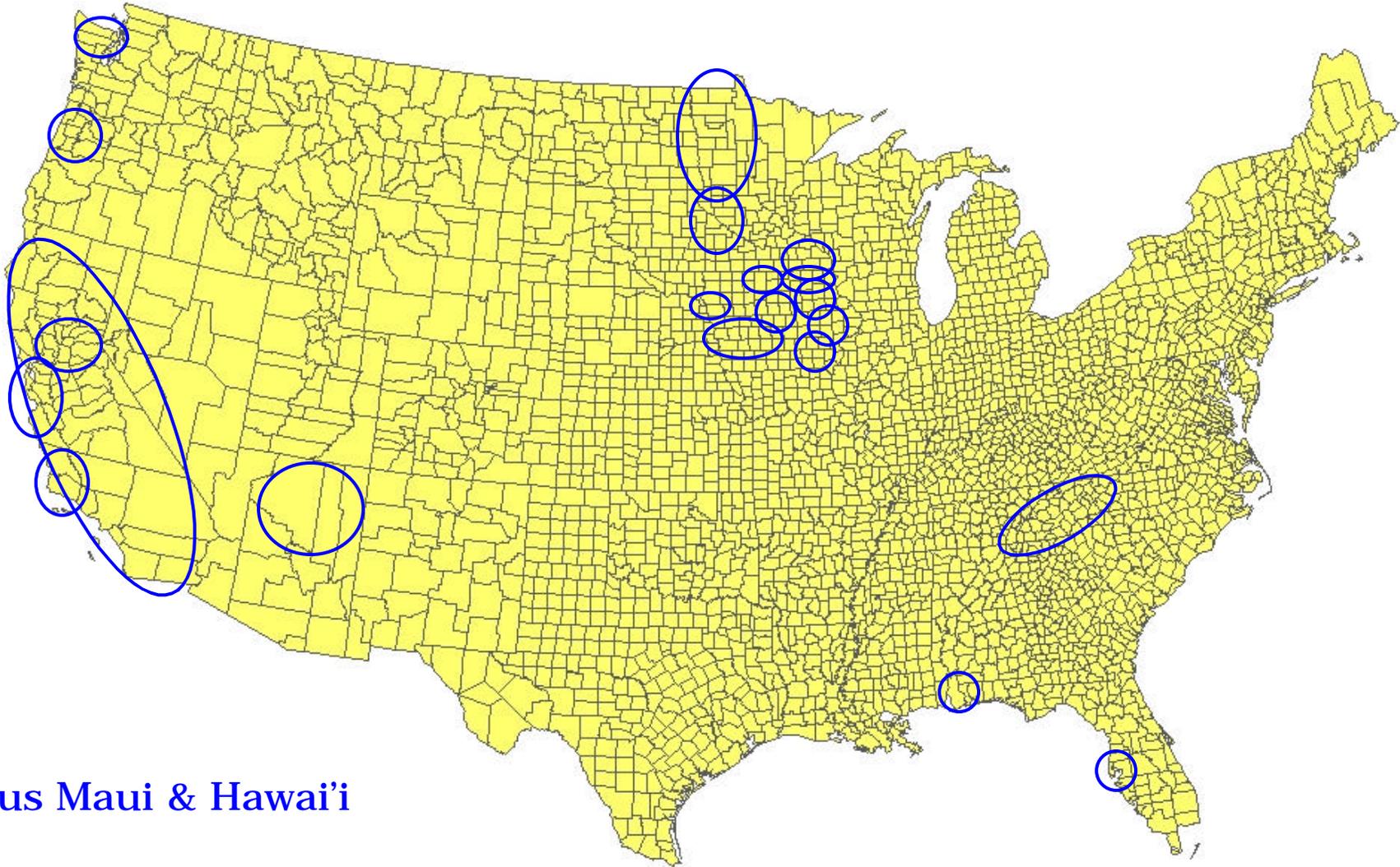
**Rep. Collin Peterson Forum  
Home-Grown Economy  
Morris, Minnesota  
April 2, 2007**



## **Financial partners:**

- **University of Minnesota**
- **Experiment in Rural Cooperation (SE Minnesota)**
- **Northwest & West Central Minnesota Regional Sustainable Development Partnerships**
- **Regional Food Systems Working Group (Value Chain Partnerships project) — Aldo Leopold Center for Sustainable Agriculture at Iowa State University**
- **Seven RC&D districts (Iowa)**
- **Northern Arizona University — Ctr Environmental Studies**
- **W. K. Kellogg Foundation (Michigan)**
- **Community Alliance with Family Farms (California)**
- **Roots of Change Council (California)**
- **Appalachian Sustainable Agriculture Program (NC)**
- **University of Hawaii — Manoa**
- **FarmAid**
- **Northwest Area Foundation**
- **ALCES Foundation (Massachusetts)**
- **Team Santa Rosa (Florida & Alabama)**
- **Cole Family Foundation & Sunnyfields Farm Institute (VA)**
- **Maui Land & Pine (Hawaii)**
- **Manitoba Food Charter (Winnipeg)**

# “Finding Food in Farm Country” Studies



plus Maui & Hawai'i



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# Local Economic Analysis (LEA)

**1. Why perform LEA?**

**2. Examples**

**3. Better food policies**



# Local Farm & Food Economies

**The perspectives of the  
communities where food is  
produced and eaten...**

**...are often overlooked**



# Vision for local food economies

**Build:**

**Health**

**Wealth**

**Connection**

**Capacity**



# Local Economic Analysis (LEA)

**1. Why perform LEA?**

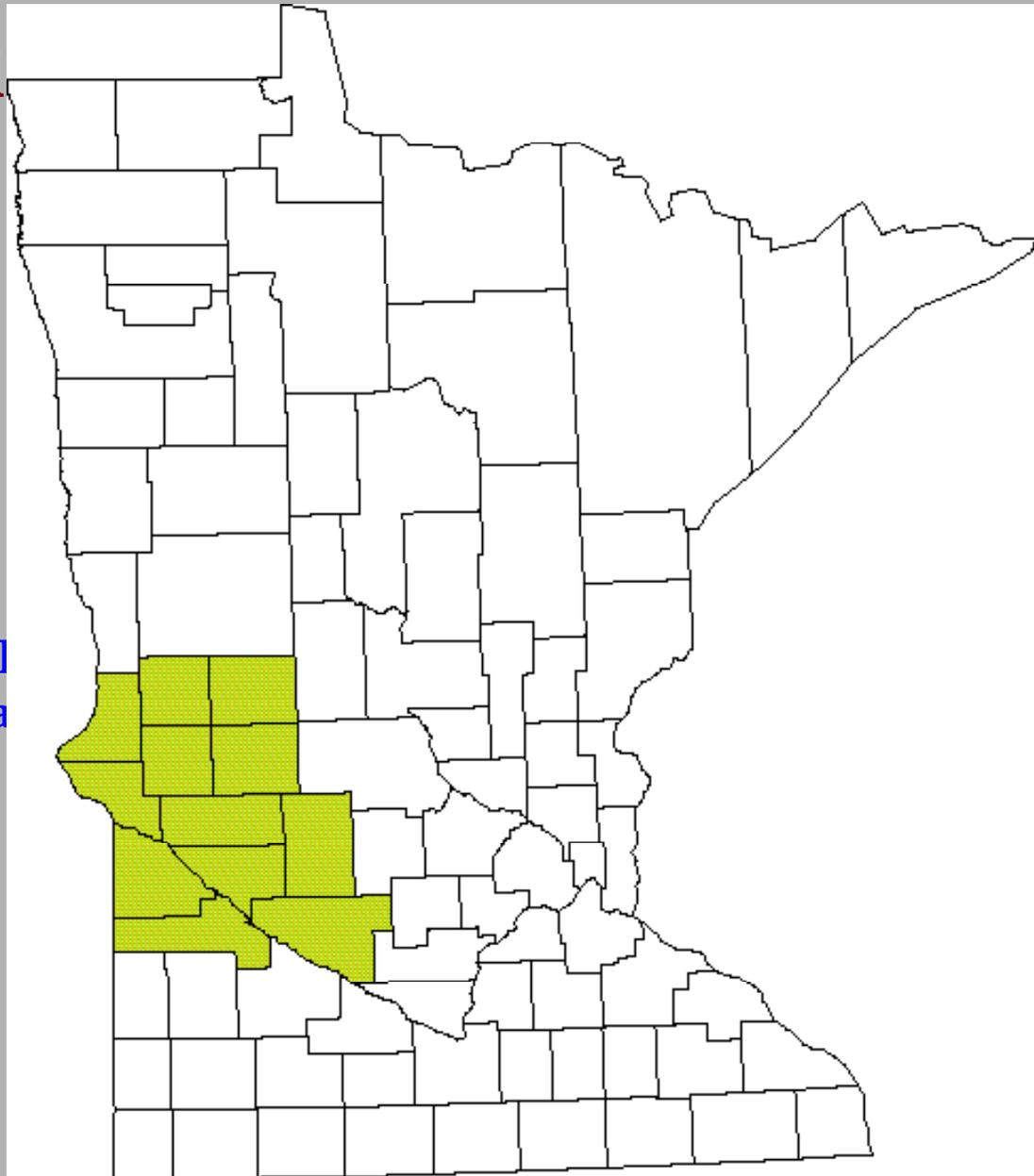
**2. Examples**

**3. Better food policies**



**Findi**

**West Central  
Minnesota**



**West Central Minnesota Regional Sustainable Development Partnership**

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# West Central Minnesota



**173,000 residents**

**\$3.1 billion  
annual income**

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**Source: Census, BLS**



# **West Central Minnesota's Food & Farm Economy**

- **10,011 farm families**
- **12% of Minnesota farms**
- **17% of Minnesota farm acreage**

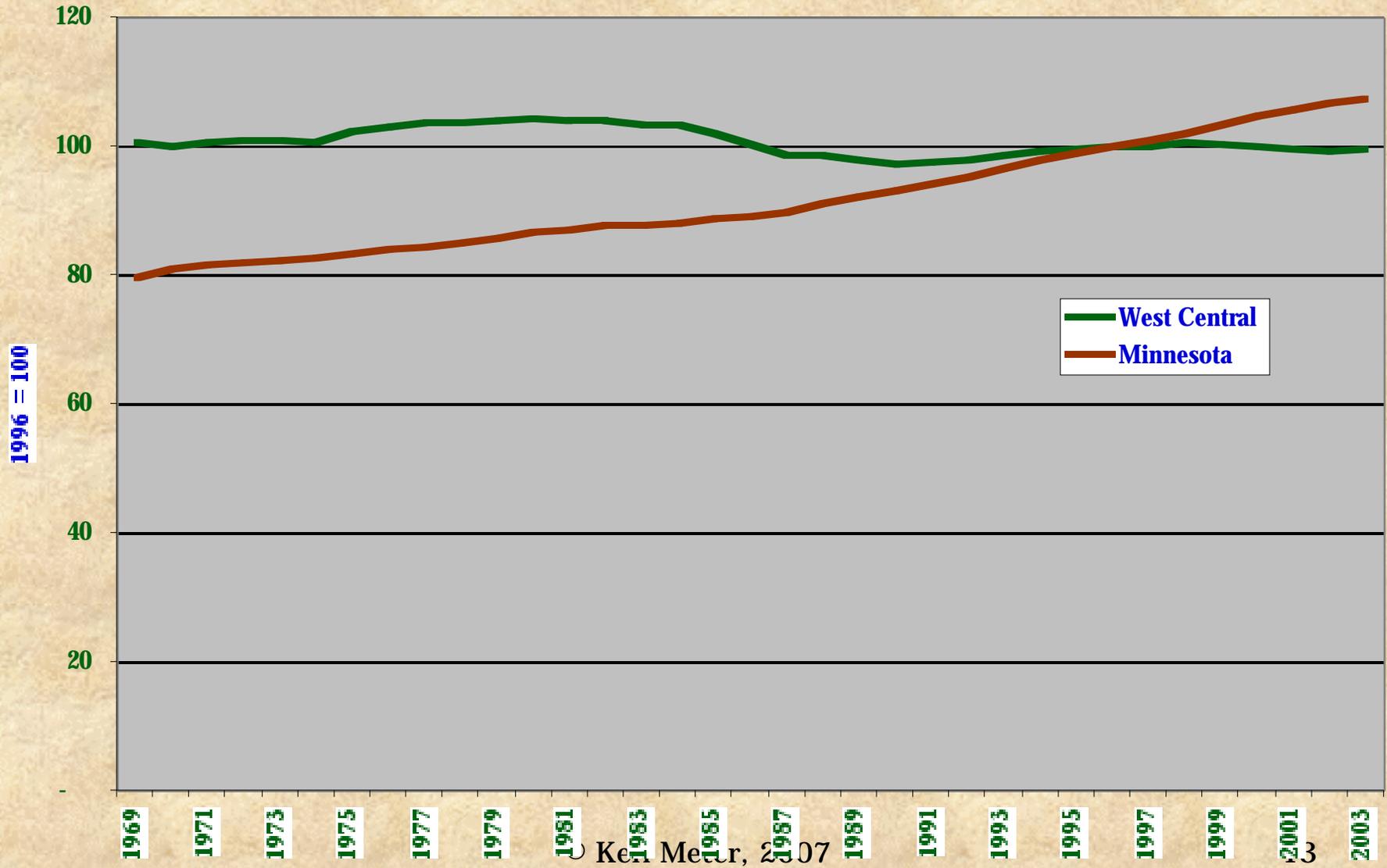
© Ken Meter, 2007

12

**Source: Ag Census**



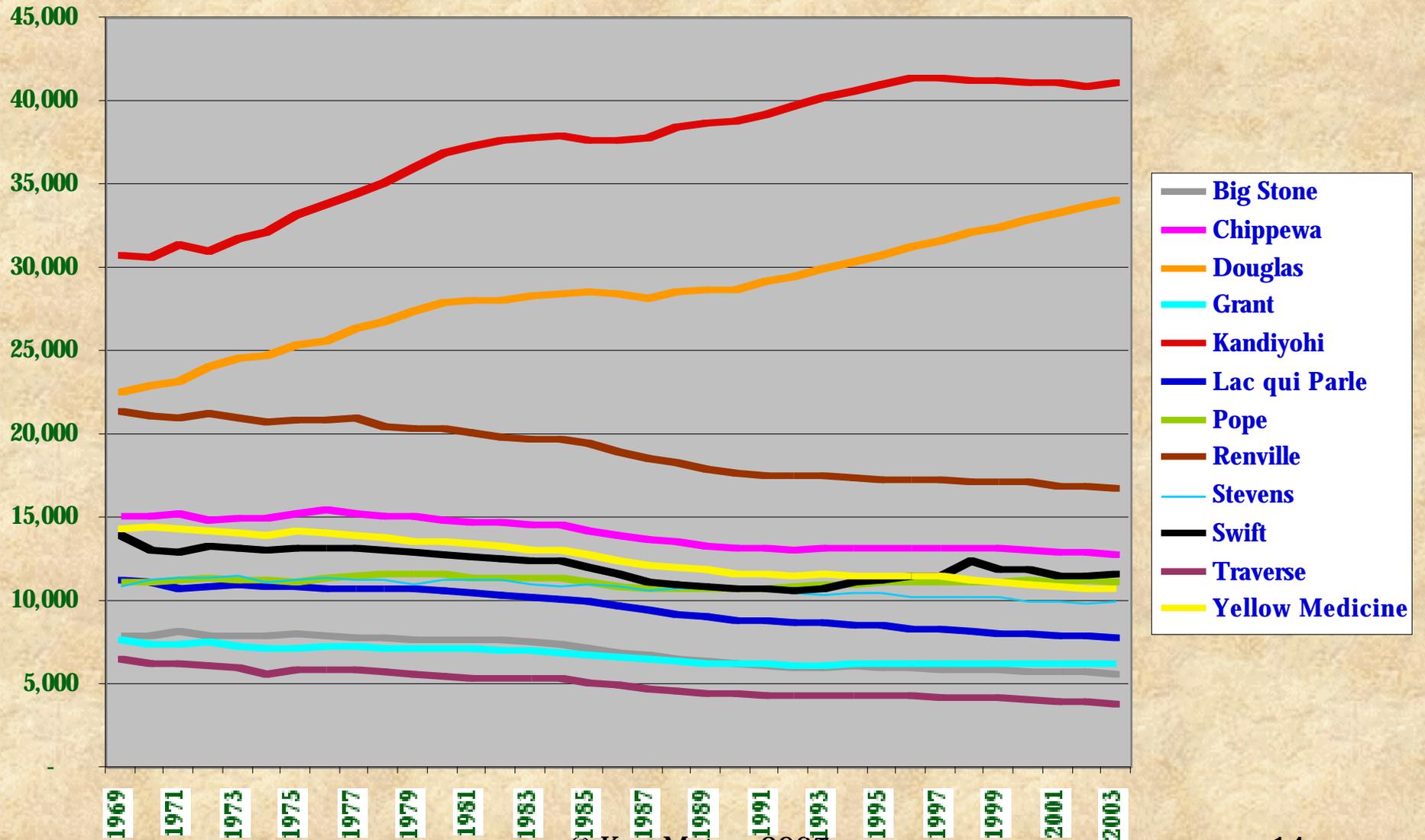
## West Central compared to Minnesota Population, 1969 -2002



Source: BEA



## West Central Minnesota Population, 1969 - 2002



© Ken Meter, 2007



# West Central Minnesota's Food & Farm Economy

- **21% of MN farms over 1,000 acres**
- **21% of irrigated land**

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Source: Ag Census



## **West Central Minnesota's Food & Farm Economy**

- **29% of state's sugar beets**
- **23% of corn**
- **22% of soybeans**
- **14% of livestock sales**

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**Source: Ag Census**



# West Central Minnesota's Food & Farm Economy

- **20% of vegetable acreage**
- **7% of state's orchards**

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Source: Ag Census



## West Central Minnesota's Food & Farm Economy

- **7% of Minnesota's organic production (\$ 562,000)**

- **271 farms sell \$871,000 of food directly to consumers**

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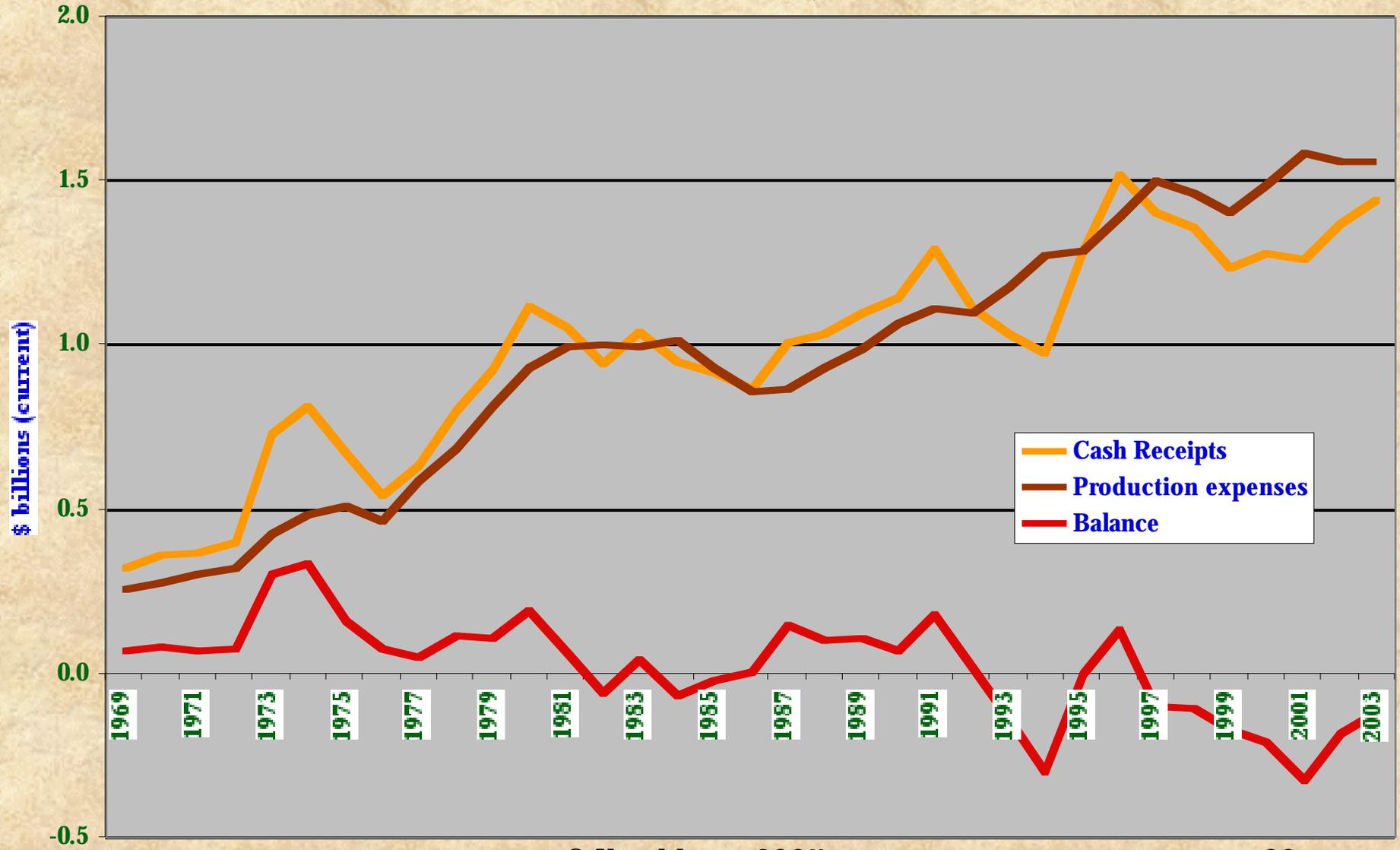
18

Source: Ag Census





## Farm Production Balance in West Central Minnesota, 1969-2003



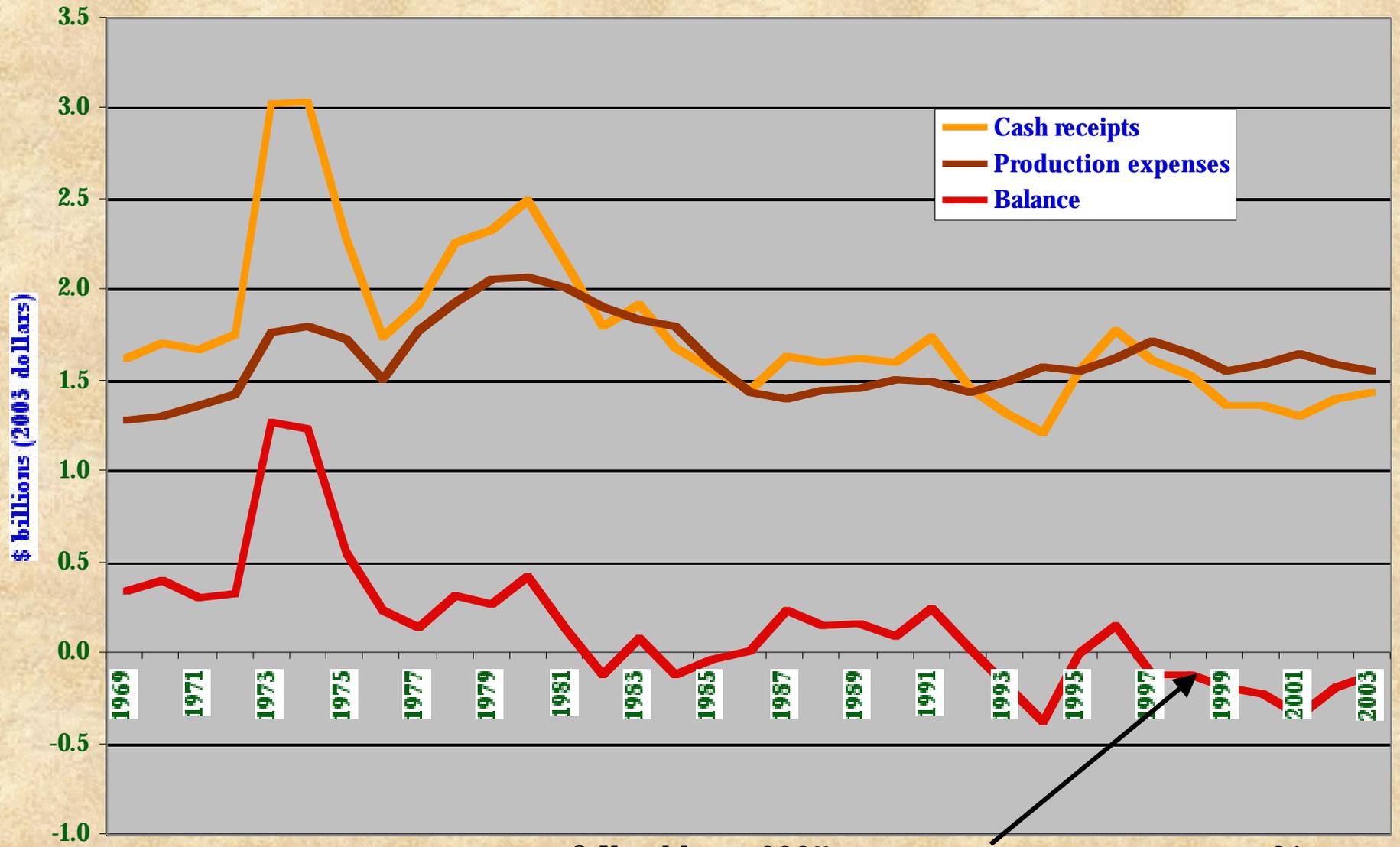
© Ken Meter, 2007

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Source: BEA



## West Central Minnesota Farm Production Balance, 1969-2003



© Ken Meter, 2007

**\$1.7 billion lost in 11 years!**<sup>21</sup>

Source: BEA



## **West Central Minnesota's Food & Farm Economy**

- **Region's farmers produce  
\$1.44 billion of food  
(annual average, 1993-2003)**

**Yet...**

- **Spend \$1.59 billion to raise it**

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**Source: BEA**



# West Central Minnesota's Food & Farm Economy

- **Lose \$153 million in production costs  
(average loss per year 1993-2003)**

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**Source: BEA**



## West Central Minnesota's Food & Farm Economy

So...

- Farm families collect **\$167 million** in federal supports
  - And earn **\$80 million** of other farm-related income
- to cover their costs**

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# West Central Minnesota's Food & Farm Economy

**34% of the region's  
farms reported  
net losses in 2002  
— after subsidies**

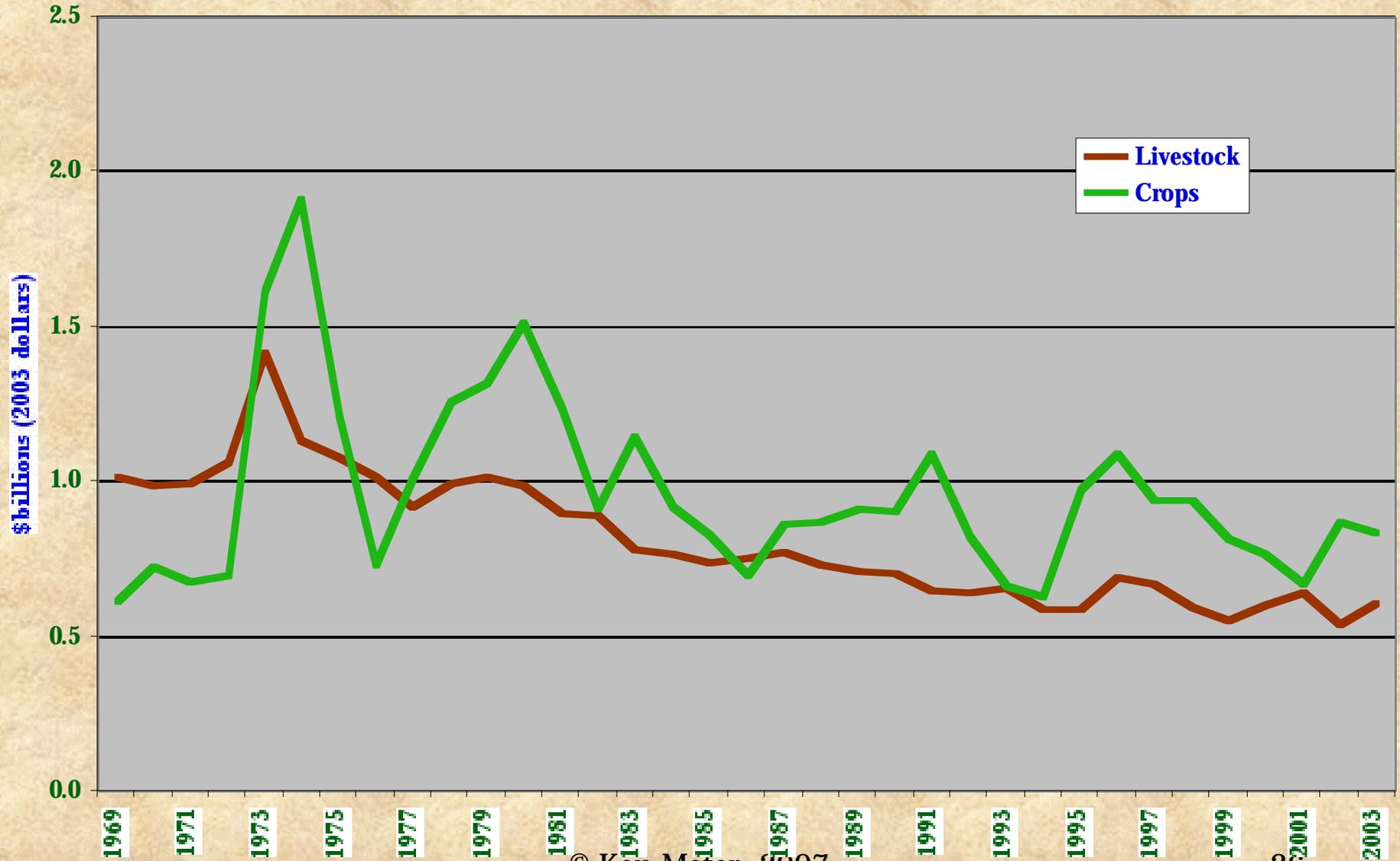
© Ken Meter, 2007

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**Source: Ag Census**



## Crop and livestock sales in West Central Minnesota, 1969-2003



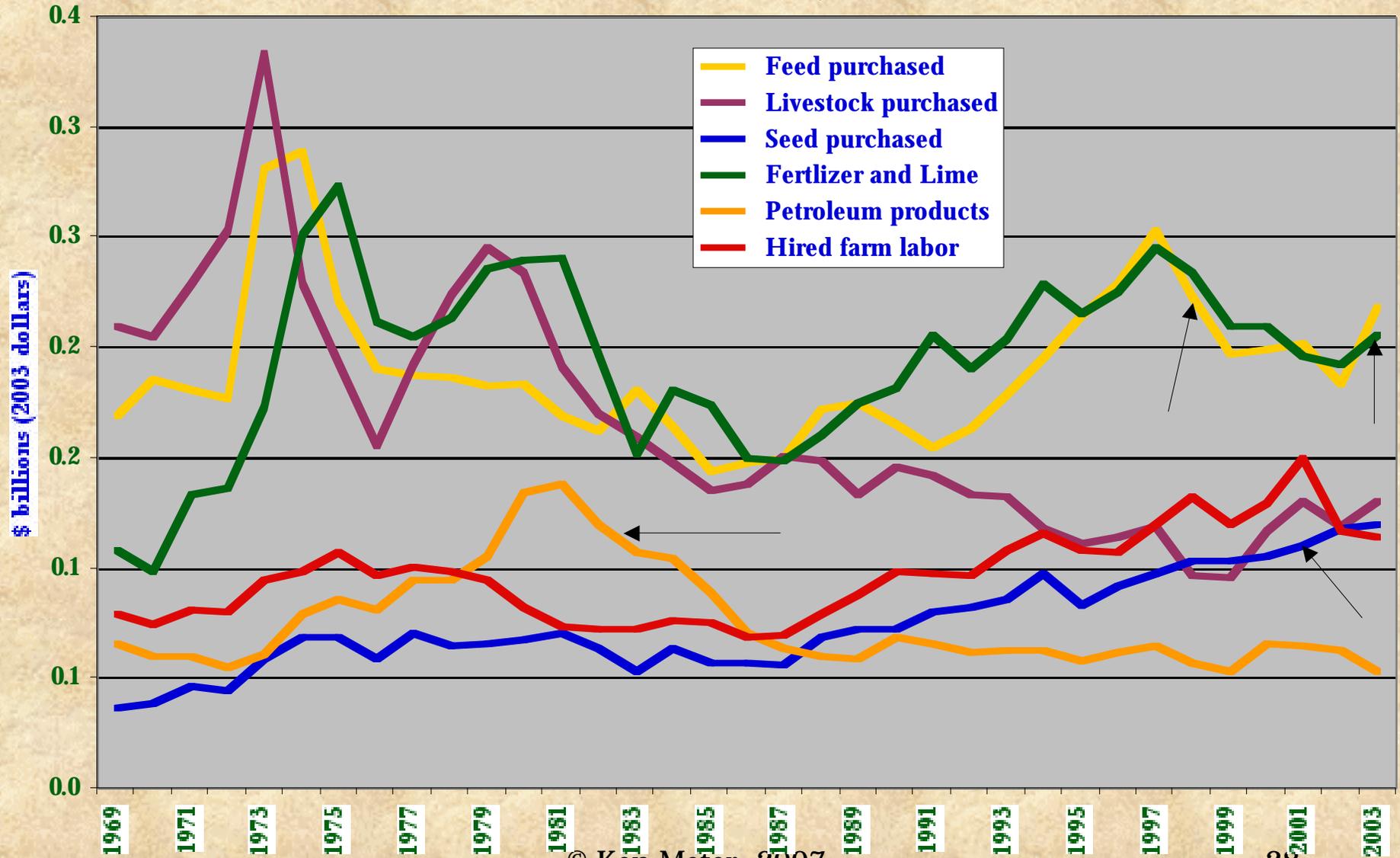
© Ken Meter, 2007

Source: BEA





## Farm Production Expenses in West Central Minnesota, 1969-2003



© Ken Meter, 2007

Source: BEA



**\$600 million in farm inputs  
purchased each year  
from outside sources**

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**Source: Ken Meter using Ag Census data**





**Also a region of food consumers...**



## **West Central Minnesota**

**As farmers struggle...**

- **The region's consumers spend \$354 million buying food each year**

Source: BLS

- **\$250 million from outside region**



## Energy use is high

**In fact...**

- **The average food item in the U.S. travels 1,500 miles from farmer to consumer**
- **Food prices will rise as energy costs increase**

**Source: Aldo Leopold Center**

**Source: ERS**

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# Energy in the Food System

**U.S. spends about \$139 billion each year...**

**...paying for the energy used to bring food to our tables**

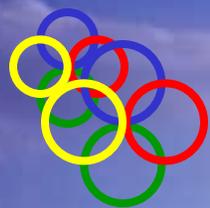
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**Source: BLS; Department of Energy (estimates based on 1976 studies)**



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## **West Central Minnesota Summary**

**All told, the region....**

**Loses \$150 million raising food**

**Buys \$600 million of outside inputs**

**Buys \$250 million of outside food**

**Potential wealth lost each year**



# Finding Food in Farm Country

**Total loss is:**

- **\$1 billion each year!**
- **Totals 70% of the value of all food raised in the region**



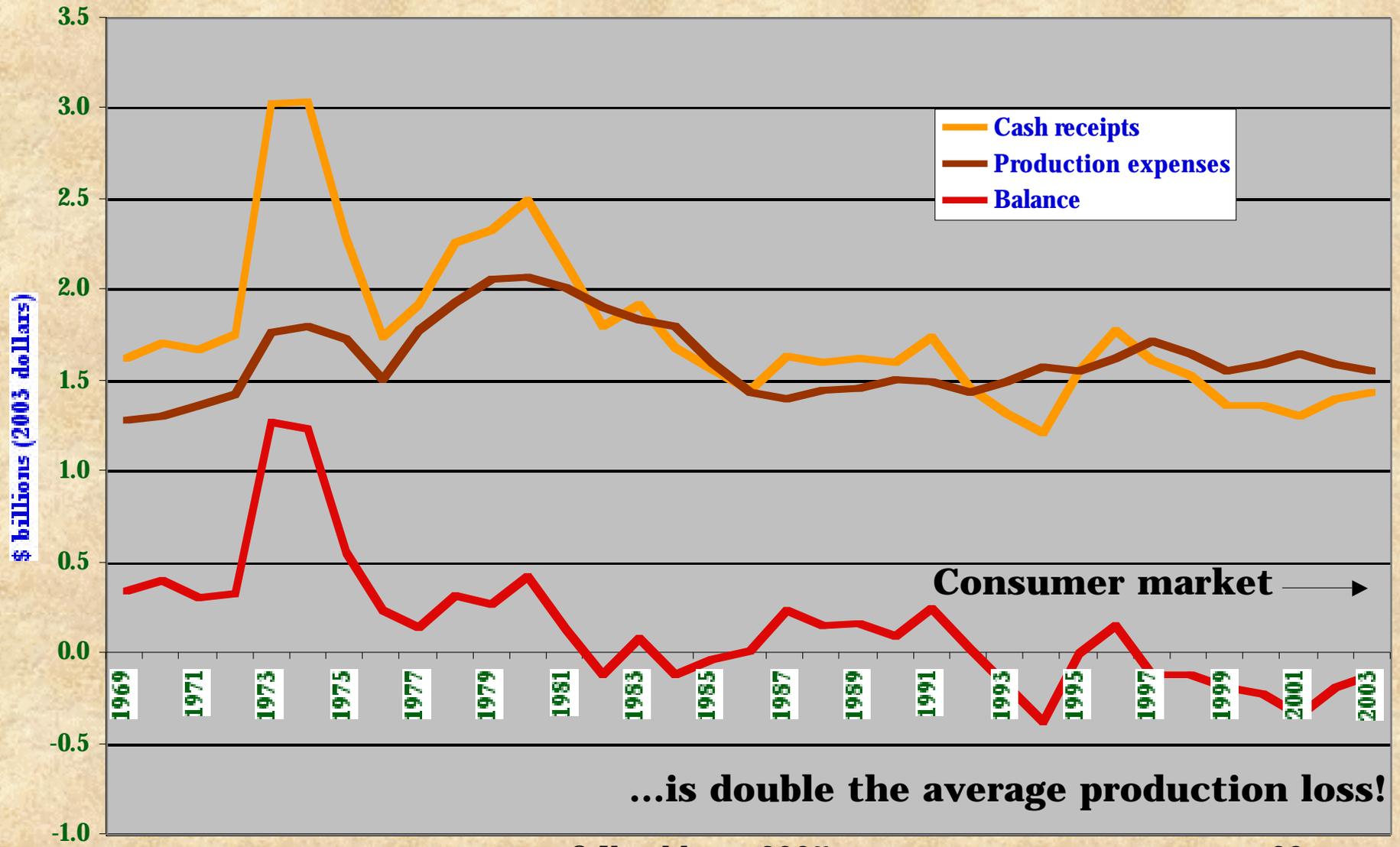
**The good news is...**

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## West Central Minnesota Farm Production Balance, 1969-2003



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Source: BEA



## West Central Minnesota

### Markets for food eaten at home

	millions
Meats, poultry, fish, and eggs	\$ 29.7
Fruits & vegetables	48.3
Cereals and bakery products	21.9
Dairy products	33.5
“Other,” incl. sweets, fats, & oils	67.1



## West Central Minnesota

**If consumers bought 20% of their food directly from farmers...**

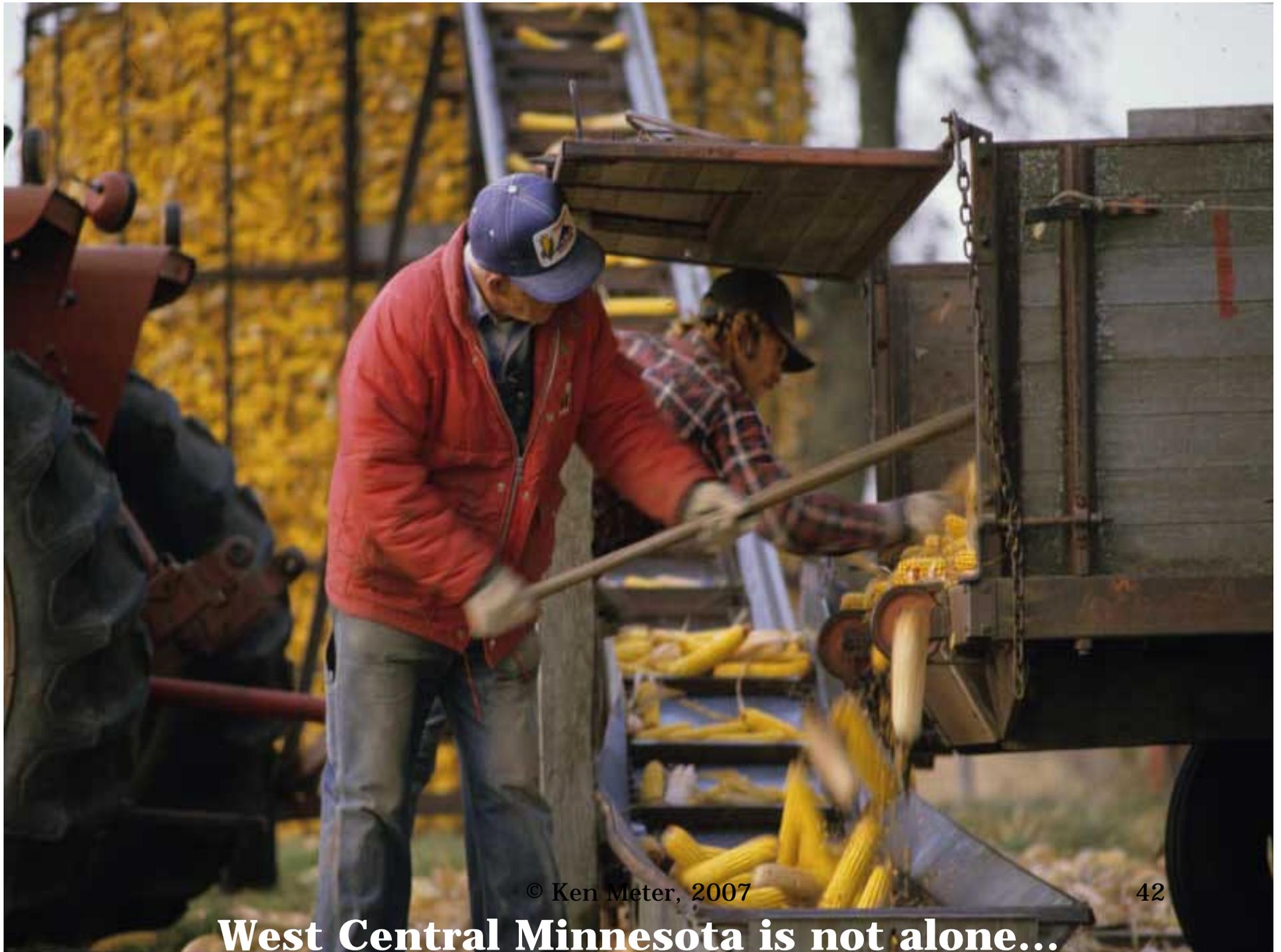
**...It would bring \$70 million of new farm income to the region**

**equals 40% of federal subsidies**

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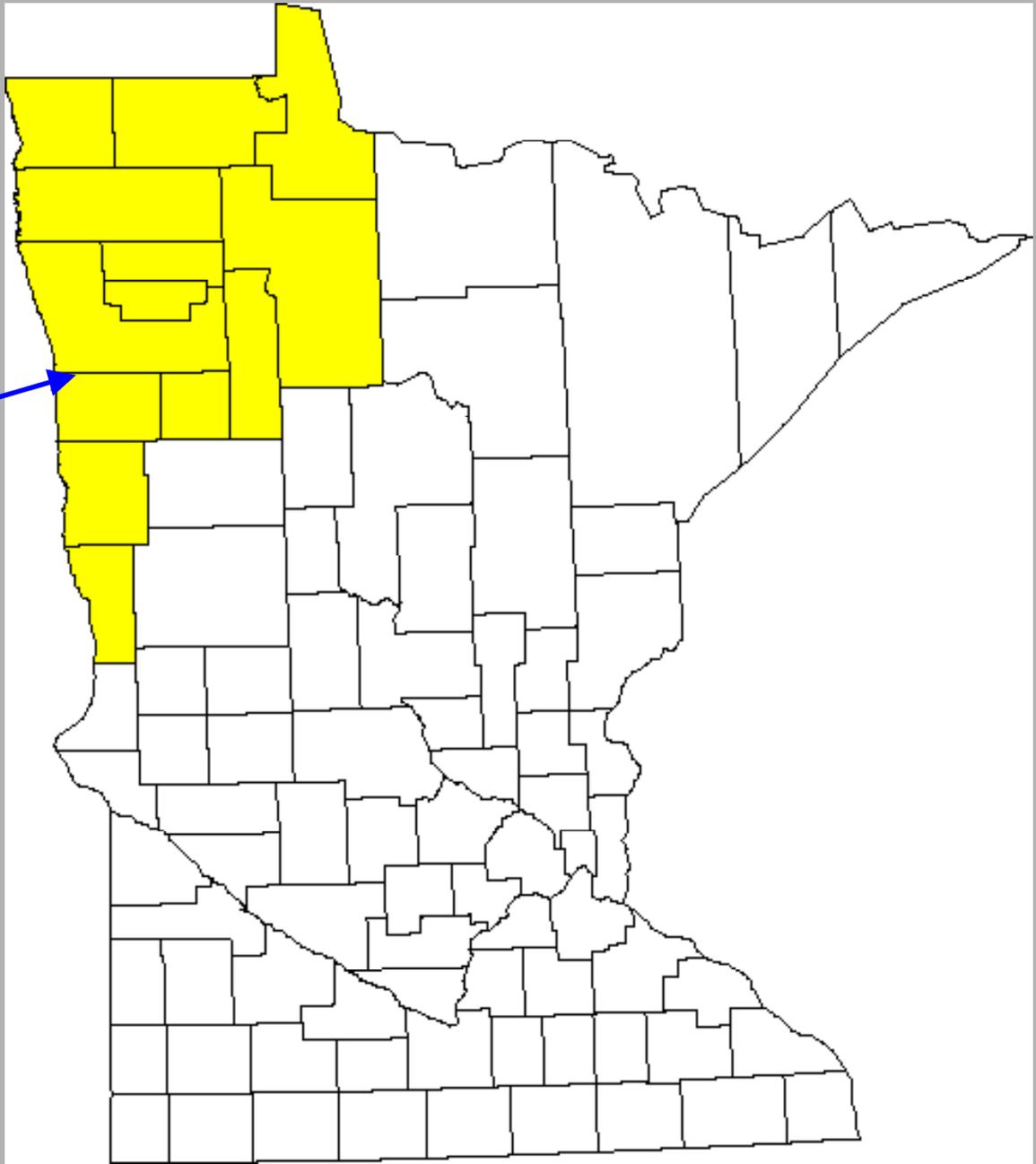
Source: BLS



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**West Central Minnesota is not alone...**

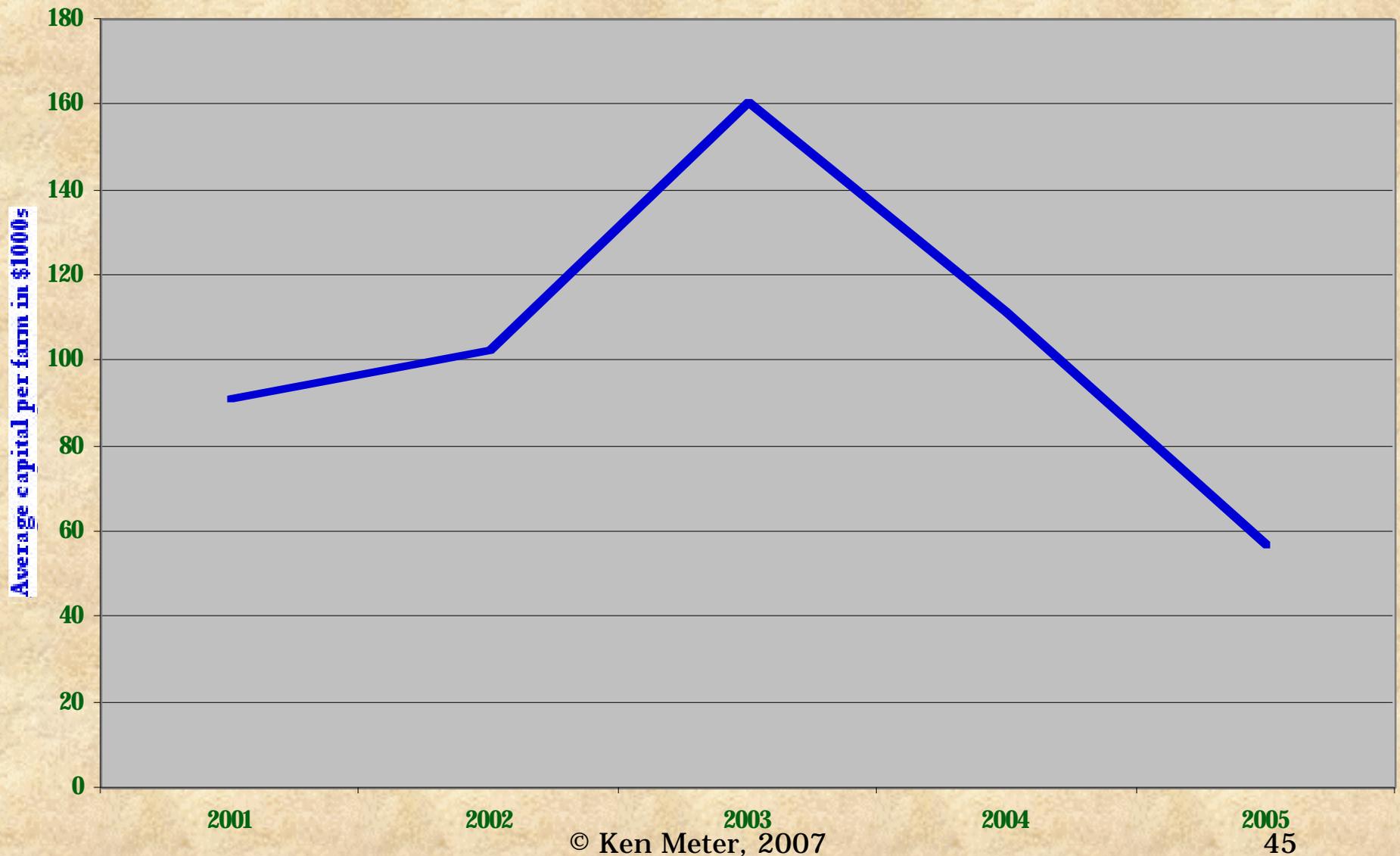


**Northwest  
Minnesota**





## Working capital on 75 Red River Valley (Minnesota) farms



Source: Northland CTC Farm Business Management via Jerry Arneson

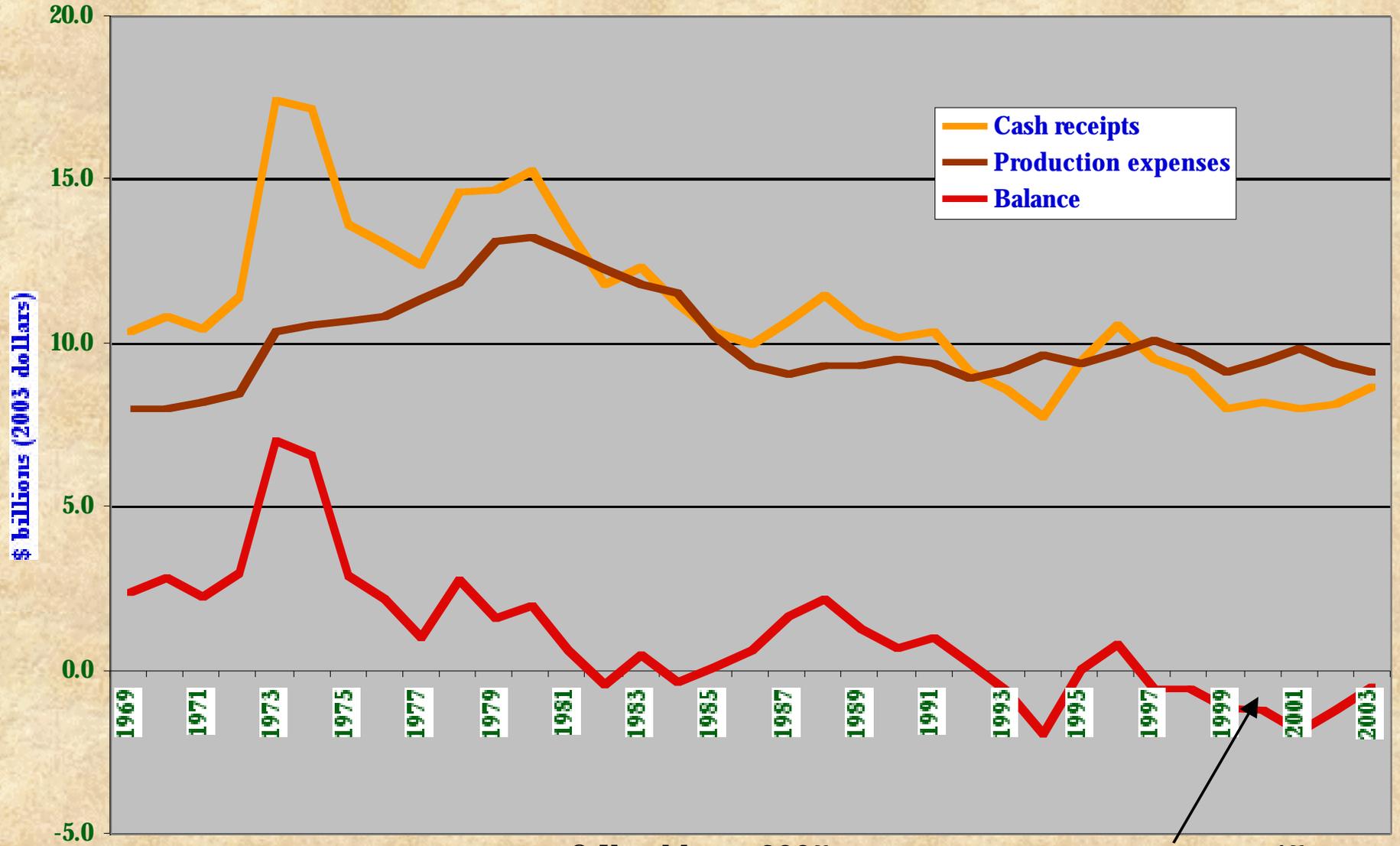


# State of Minnesota





## Farm Production Balance in Minnesota, 1969-2003



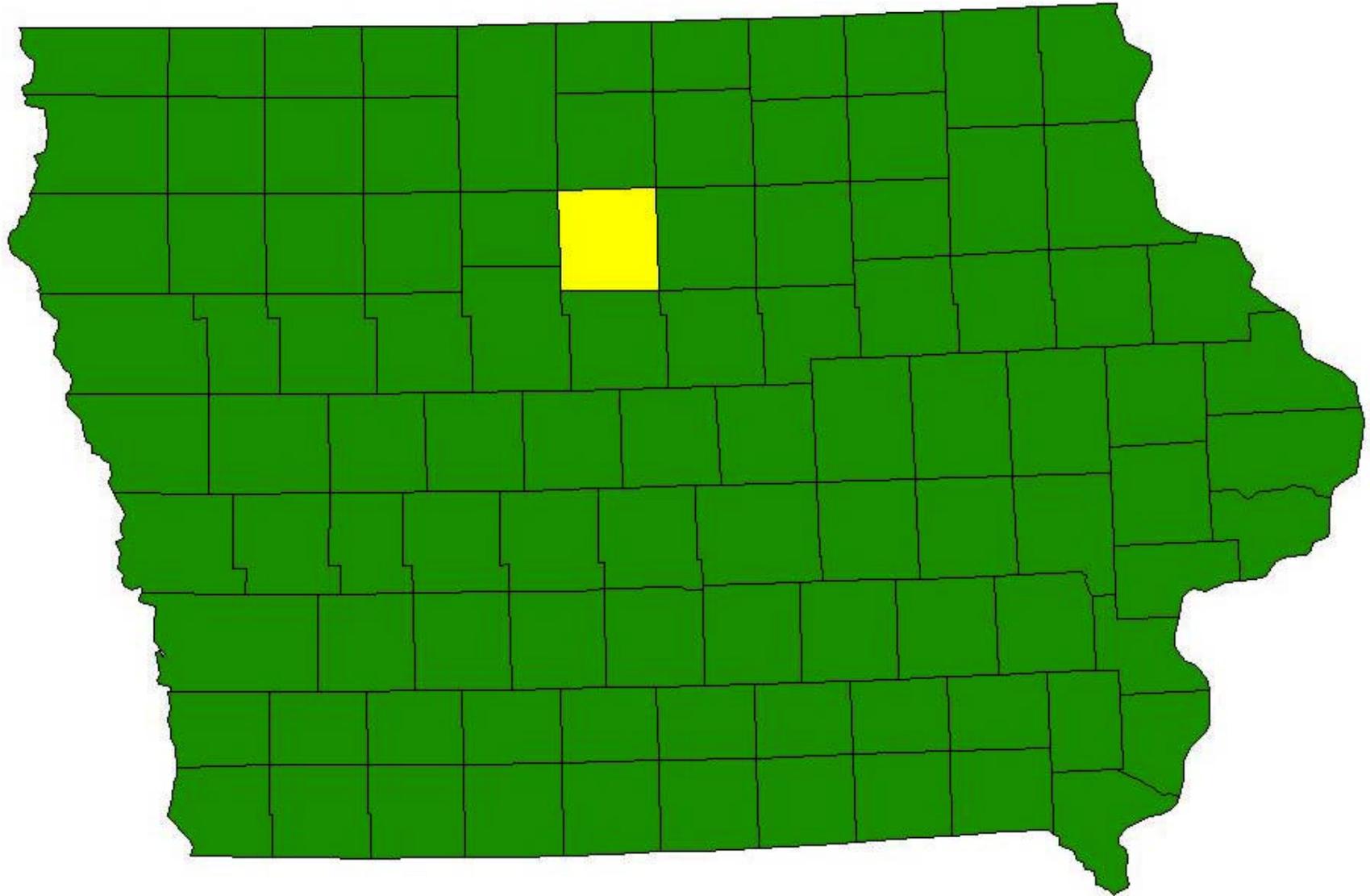
© Ken Meter, 2007

**\$7 billion lost in 7 years!**<sup>47</sup>

Source: BEA



# Wright County, Iowa





## Wright County, Iowa

**400 hungry people get  
\$ 300,000 in food coupons**



## Wright County, Iowa

**While 700 farmers get \$25 million  
in subsidies each year...**

**...to raise crops that humans  
do not eat directly**

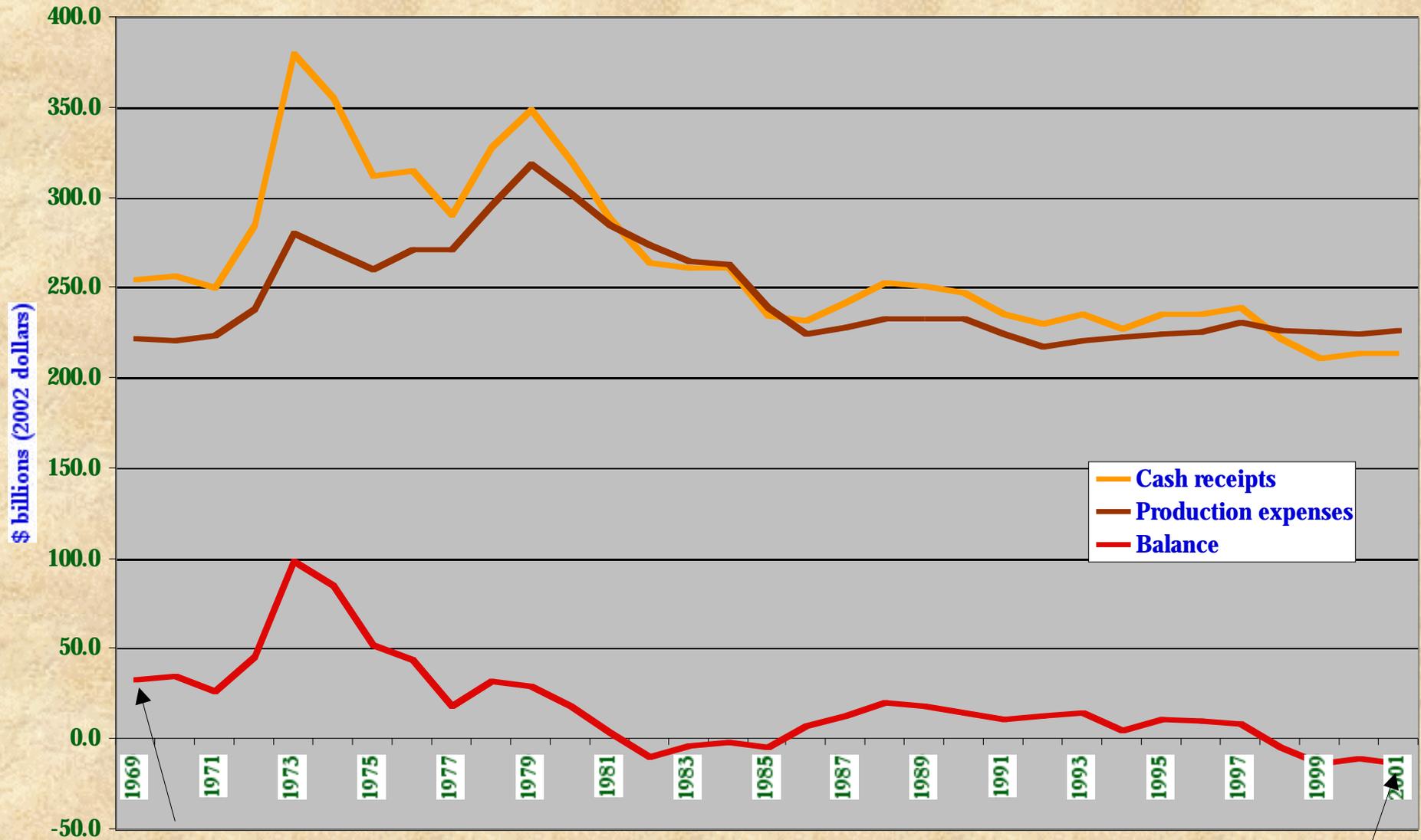




**U.S. data**

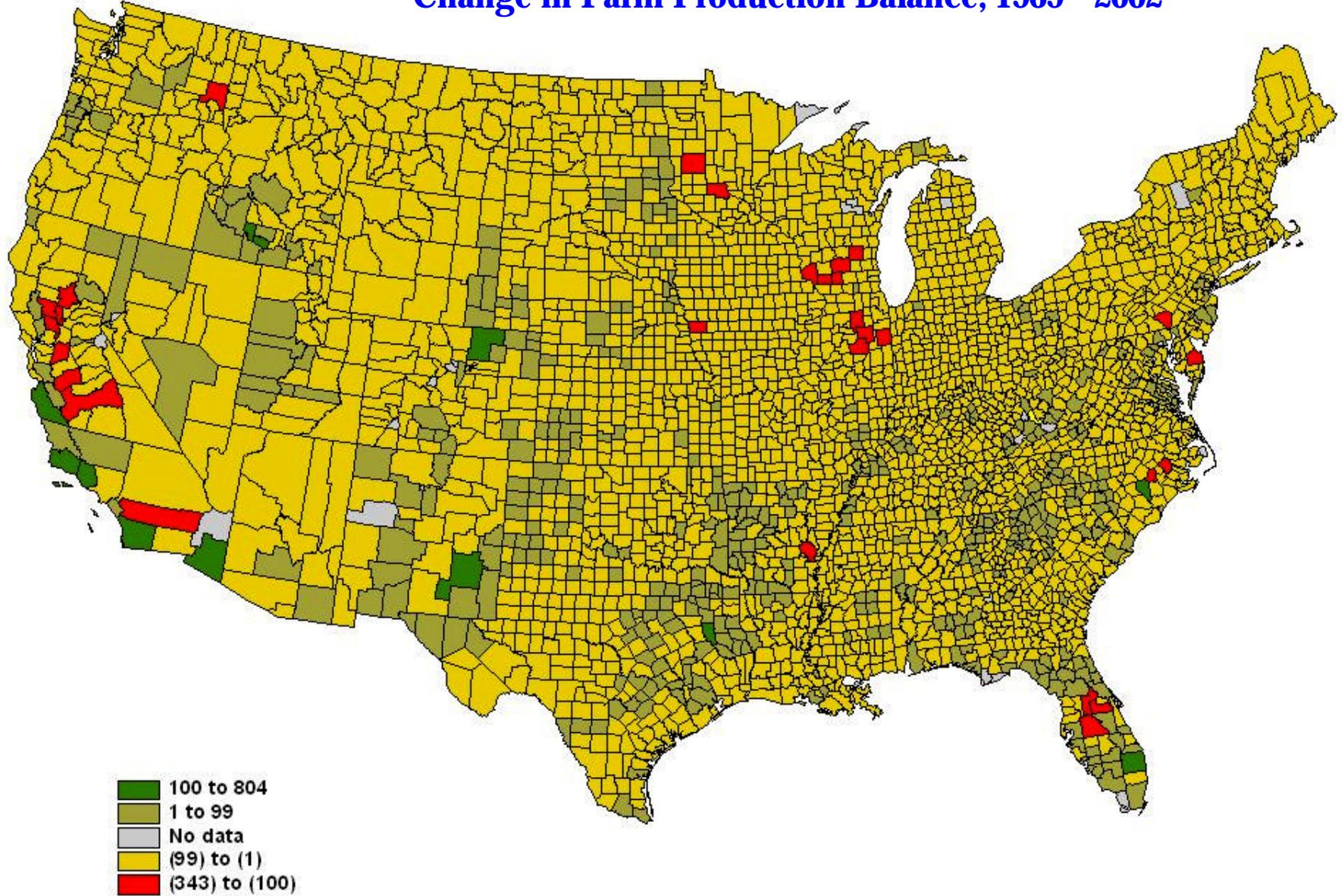


## U.S. Farm Cash Receipts and Production Expenses, 1969-2001



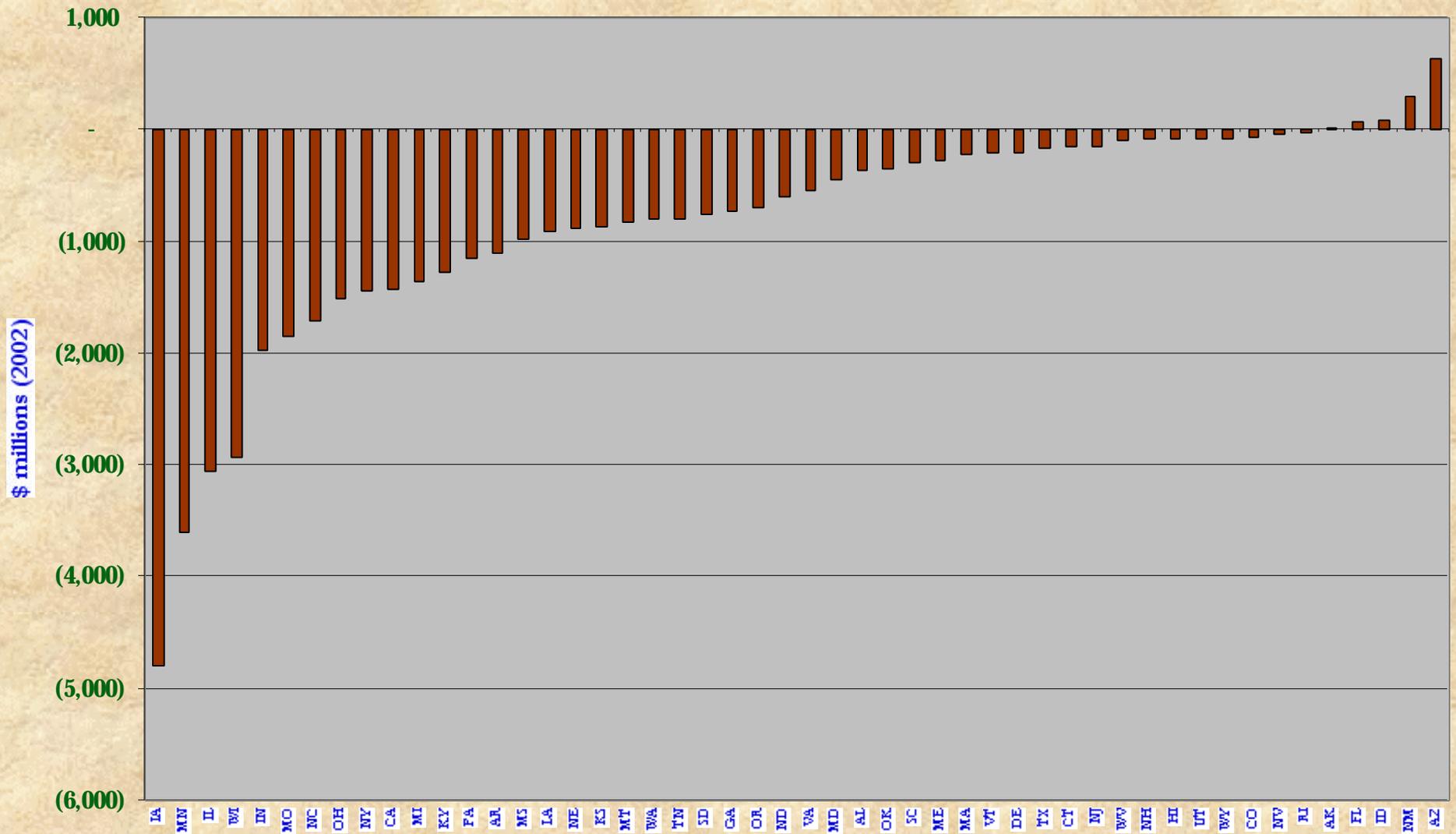
© Ken Meter, 2007

## Change in Farm Production Balance, 1969 - 2002



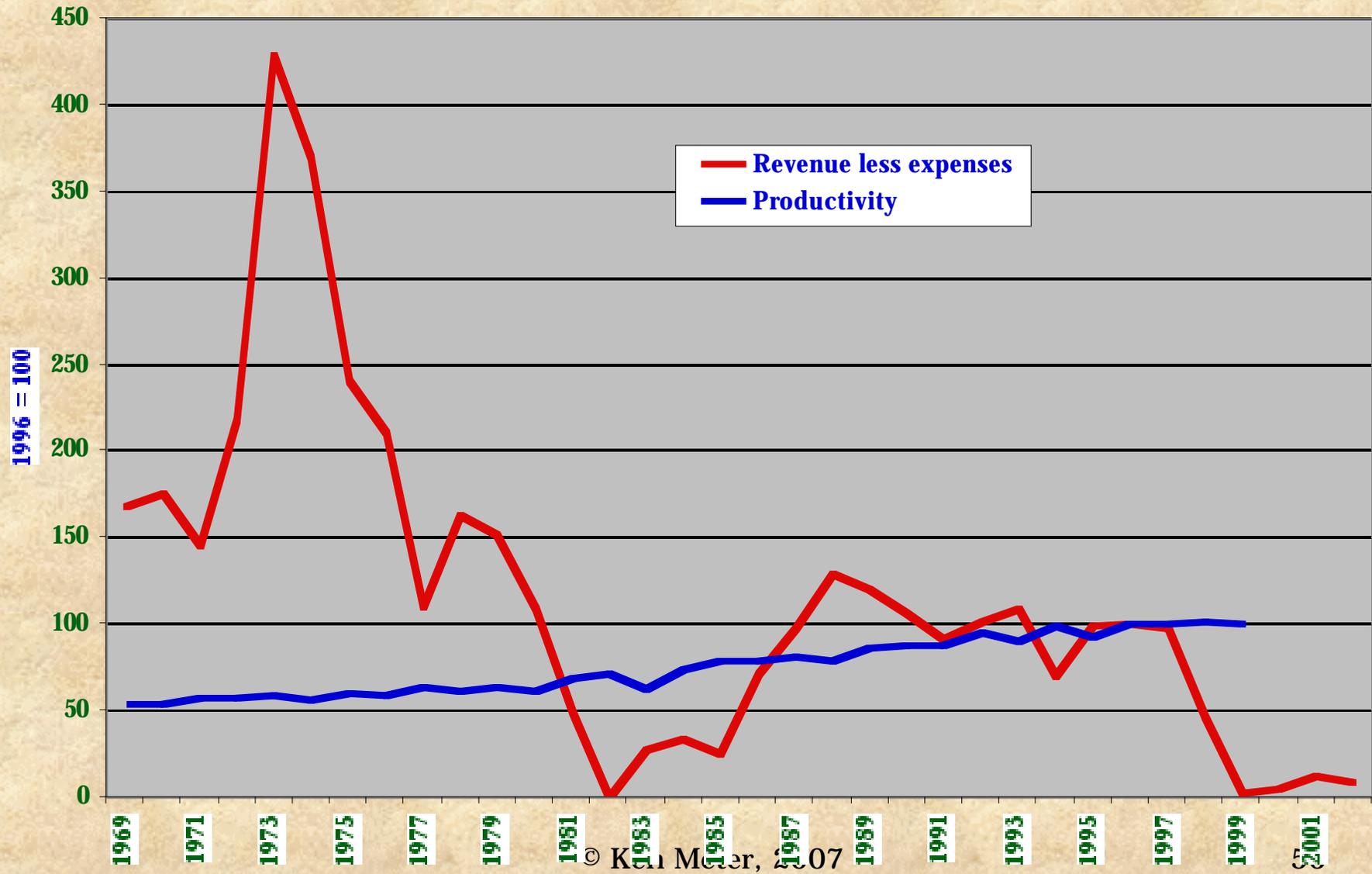
Map by Ken Meter, 2005

### Change in Farm Production Balance by State, 1969-2002



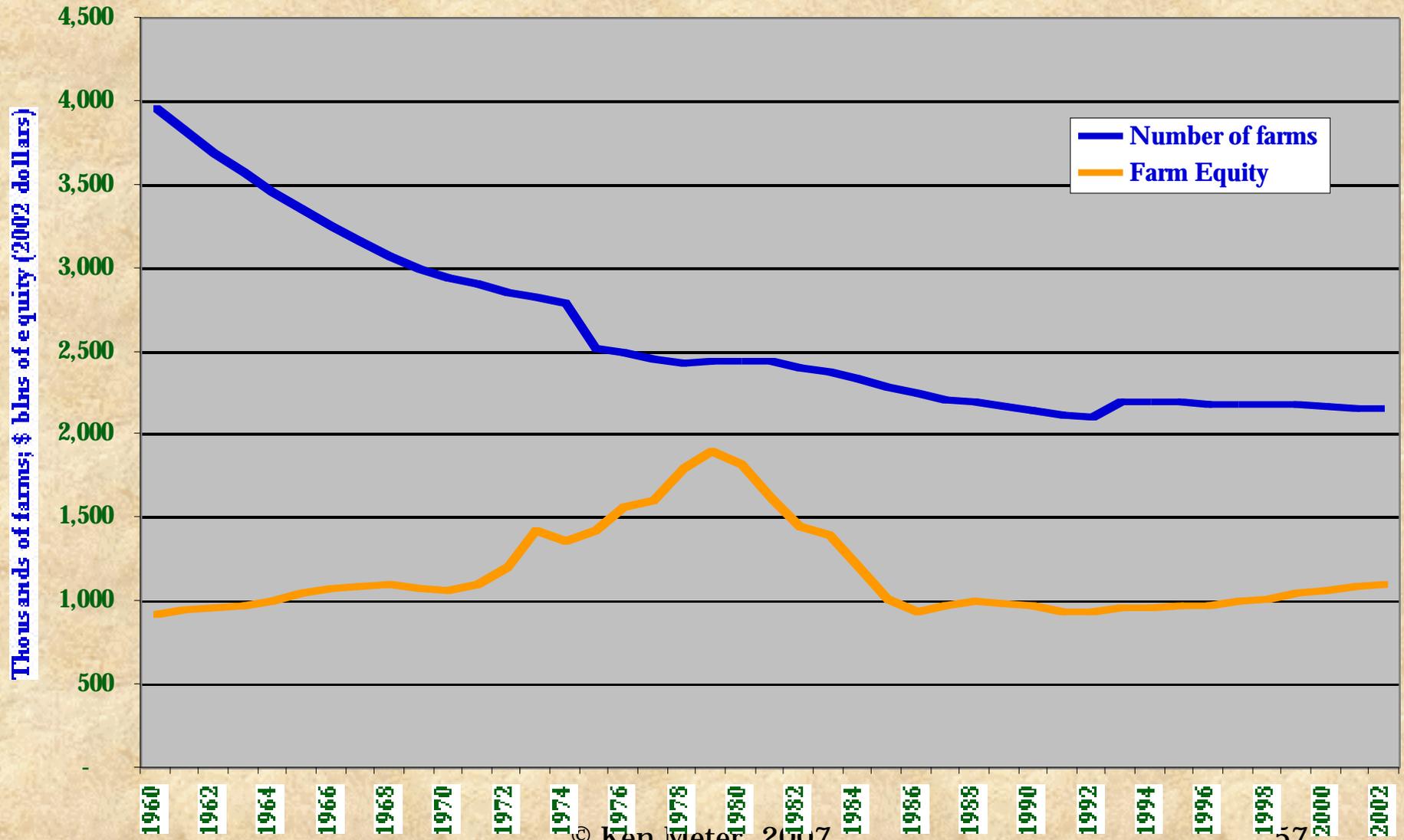


## U.S. farm income and productivity, 1969-2002



© Kelli Mercer, 2007

## U.S. farms and farm equity, 1960-2002



© Ken Meter, 2007

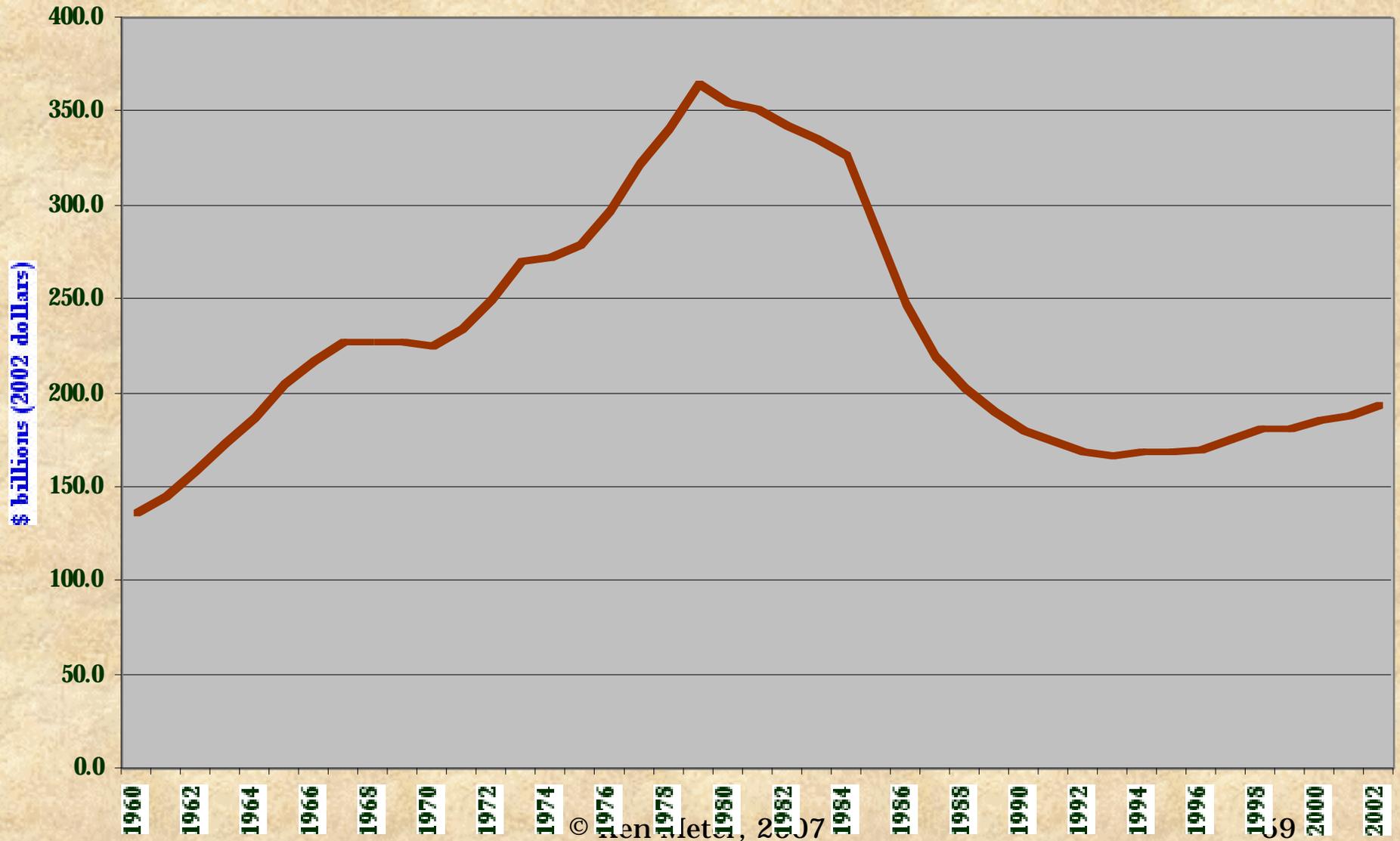


# Sources of Farm Credit





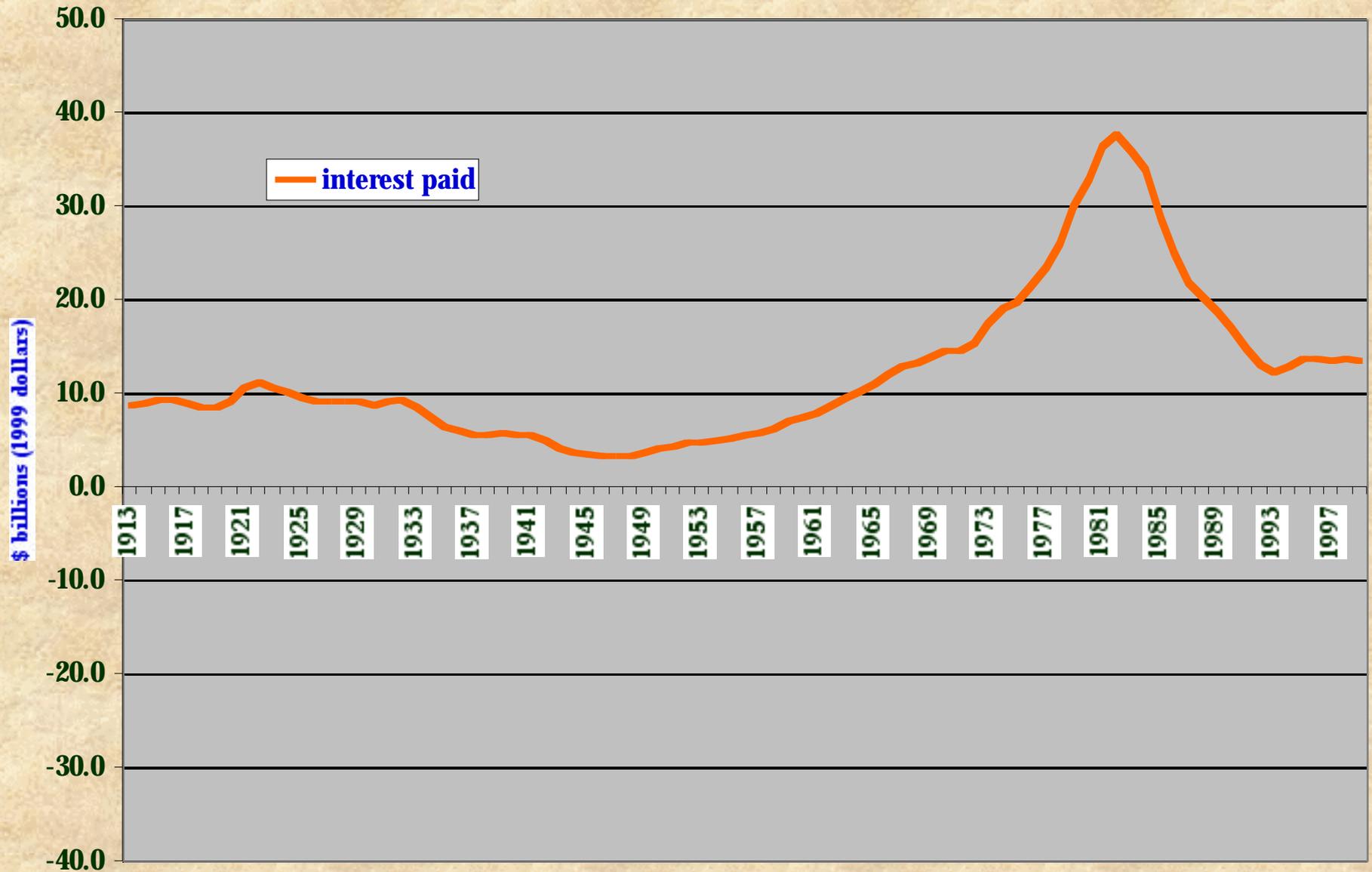
## Aggregate U.S. Farm Debt, 1960-2002



© Ken Lett, 2007

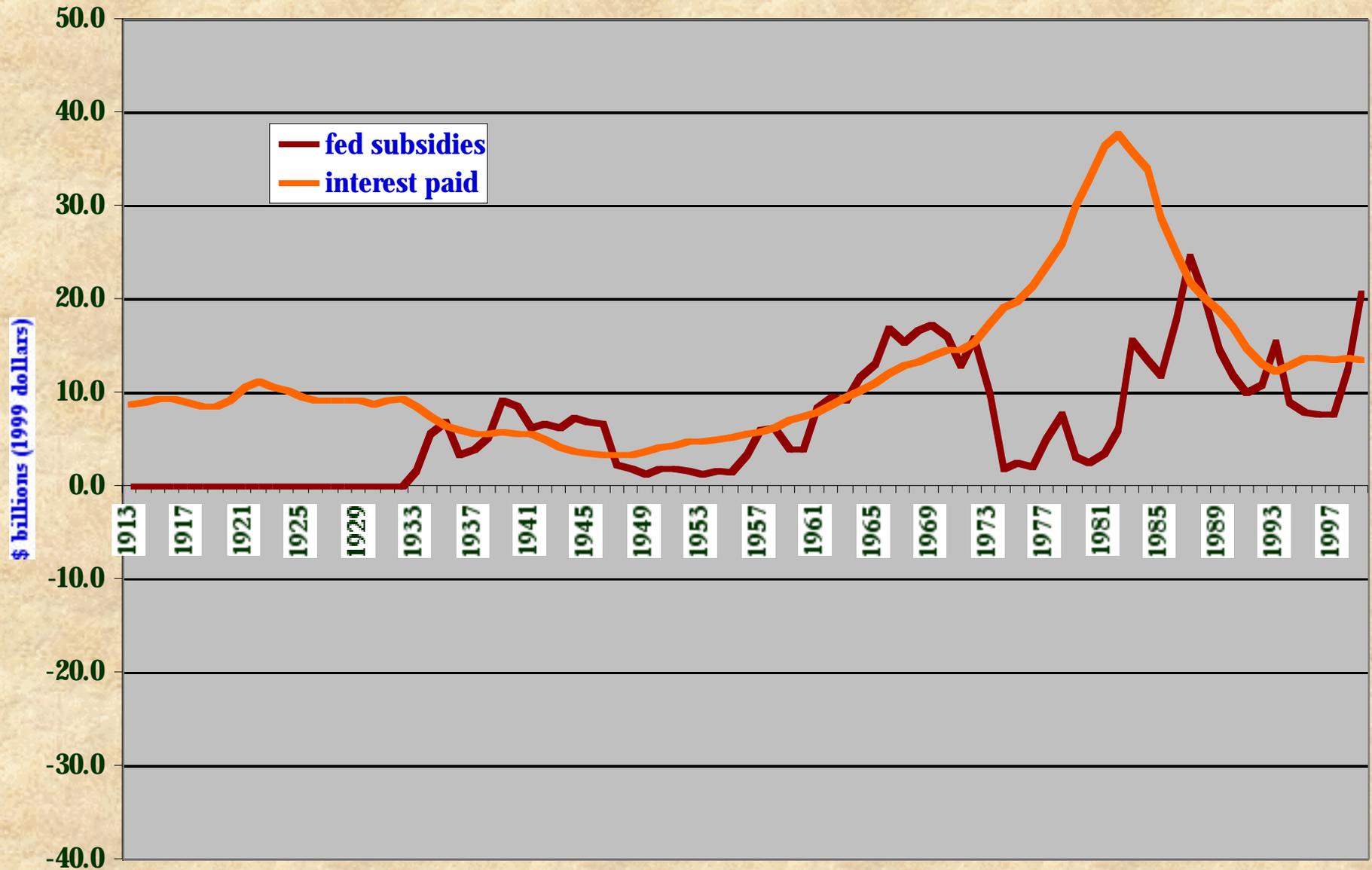


## Federal farm subsidies compared to U.S. farm interest payments, 1913-1999



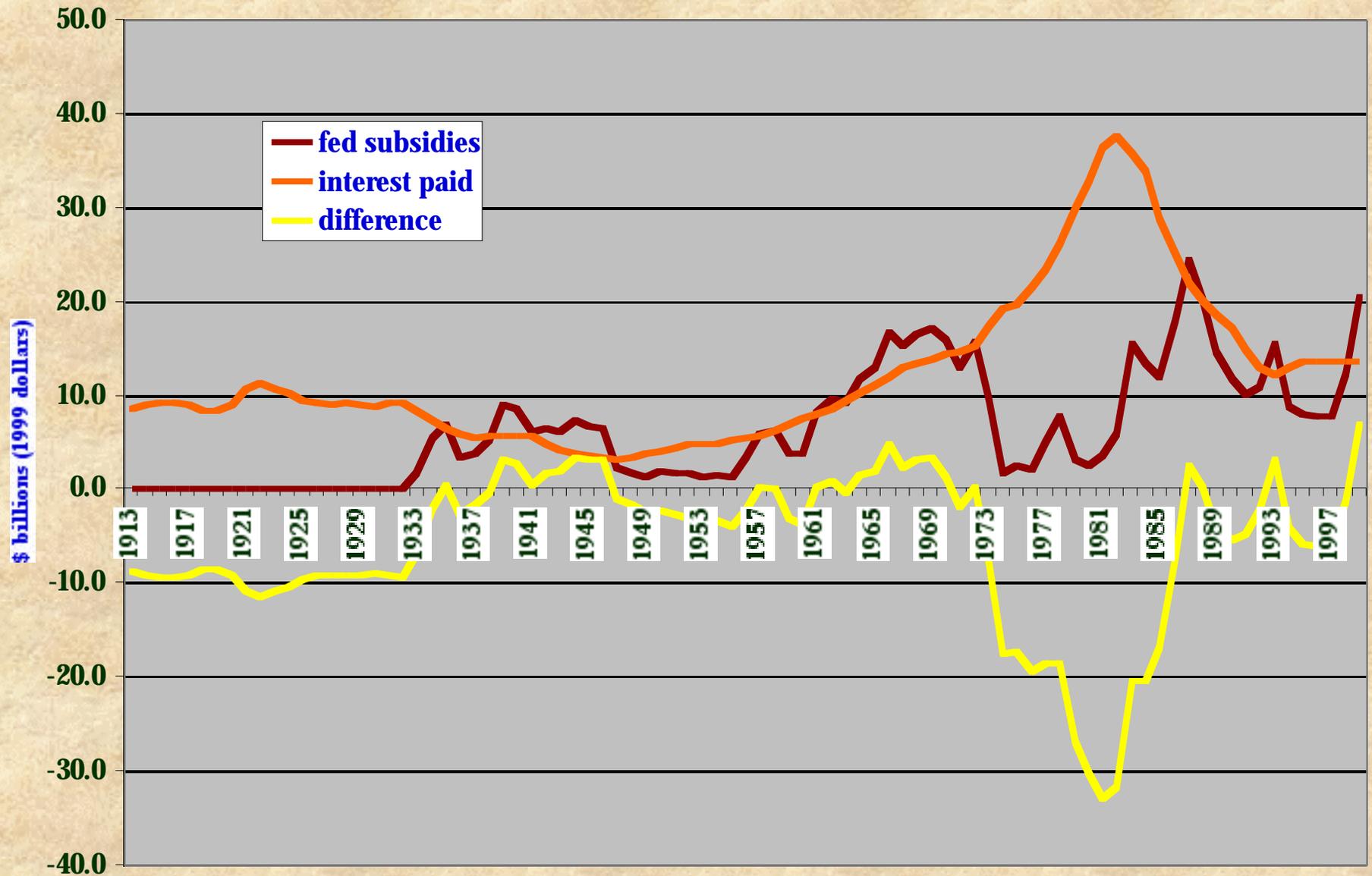


## Federal farm subsidies compared to U.S. farm interest payments, 1913-1999



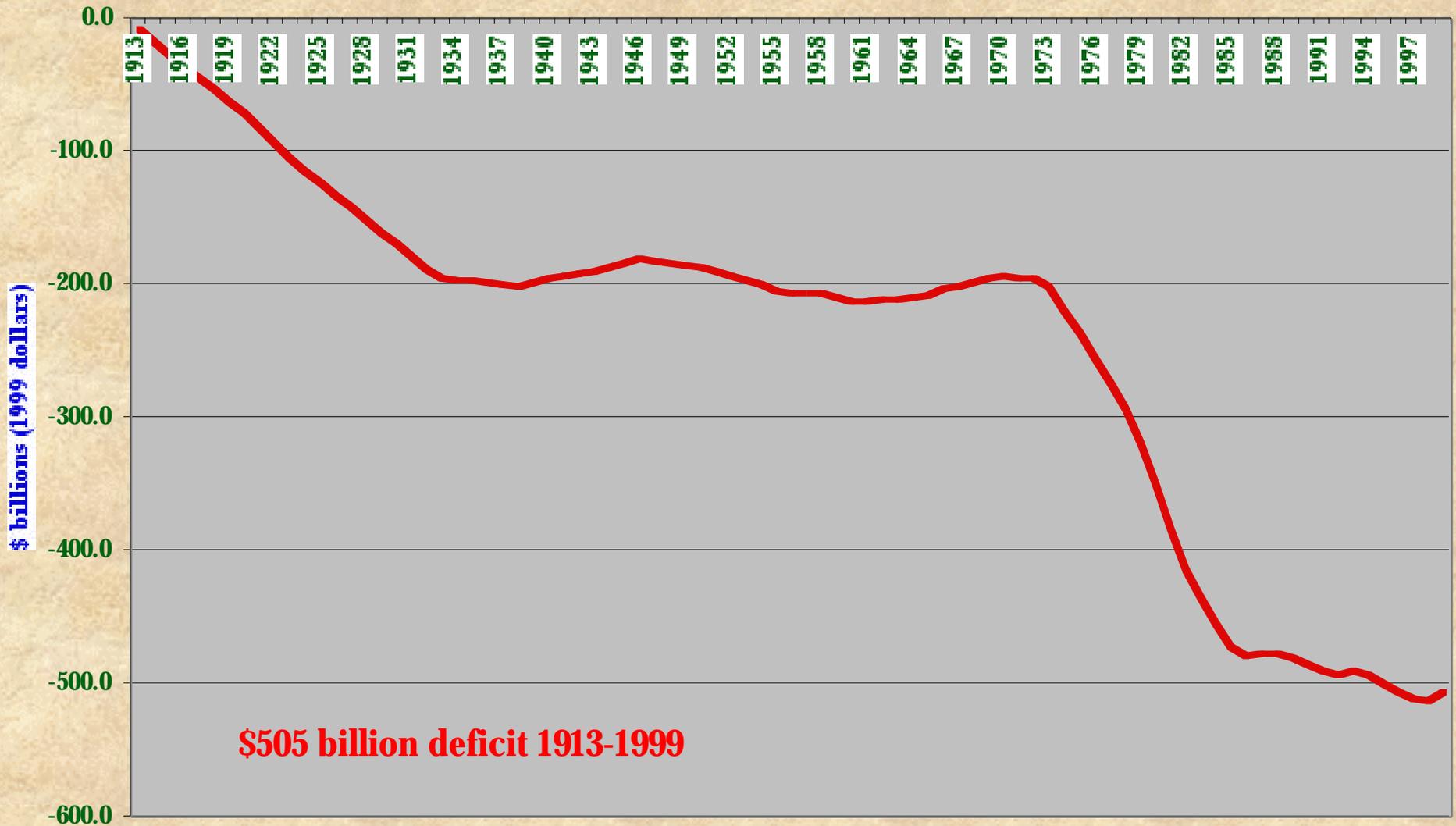


## Federal farm subsidies compared to U.S. farm interest payments, 1913-1999



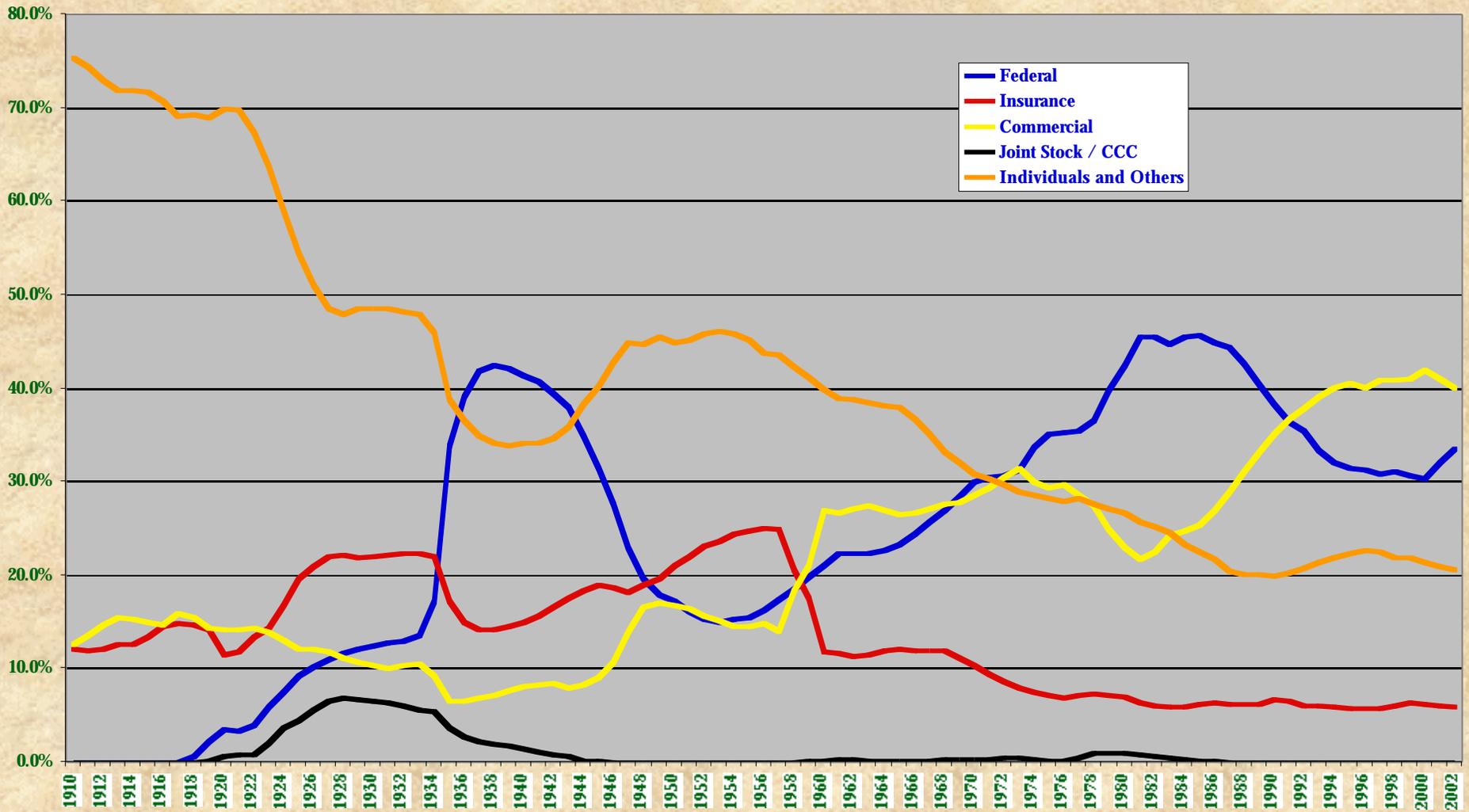


**Cumulative net cash flow, 1913-1999:  
farmer interest payments (out)  
less federal subsidies (in)**



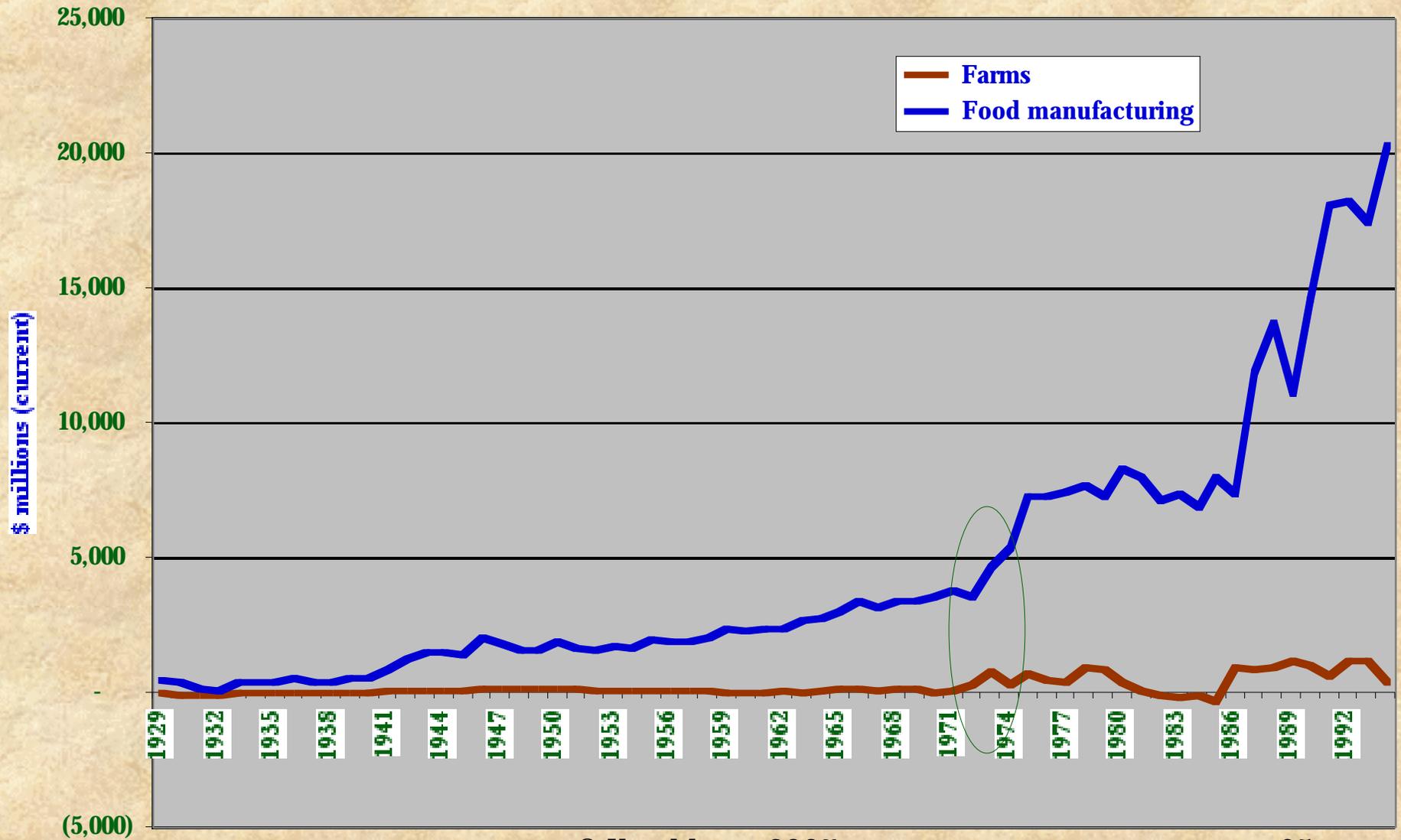


### Farm Debt by Source, 1910 - 2002





## Farm and food manufacturing profits, 1929 - 1994



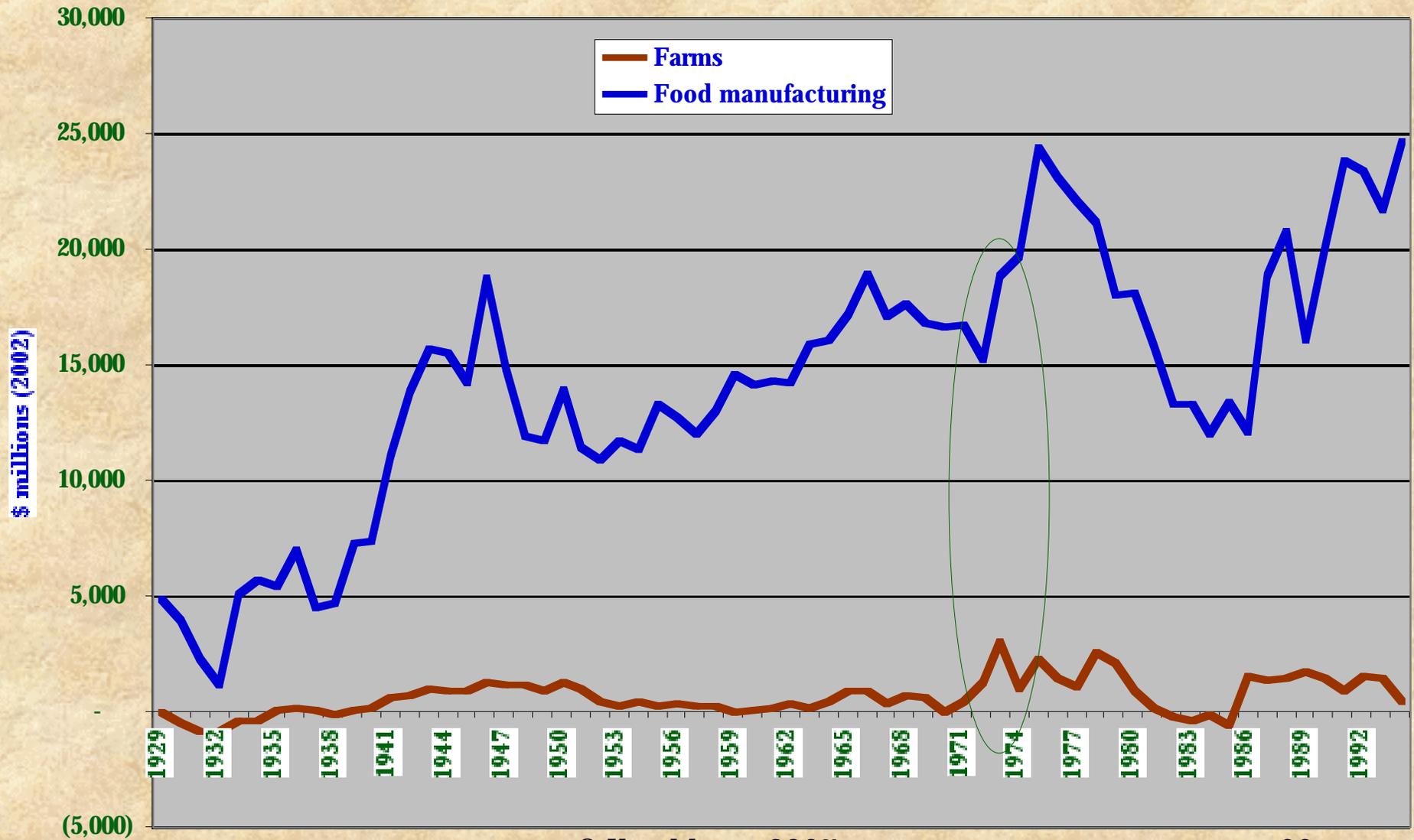
© Ken Meter, 2007

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Source: BEA



## Profits for farms and food manufacturers, 1929 - 1994



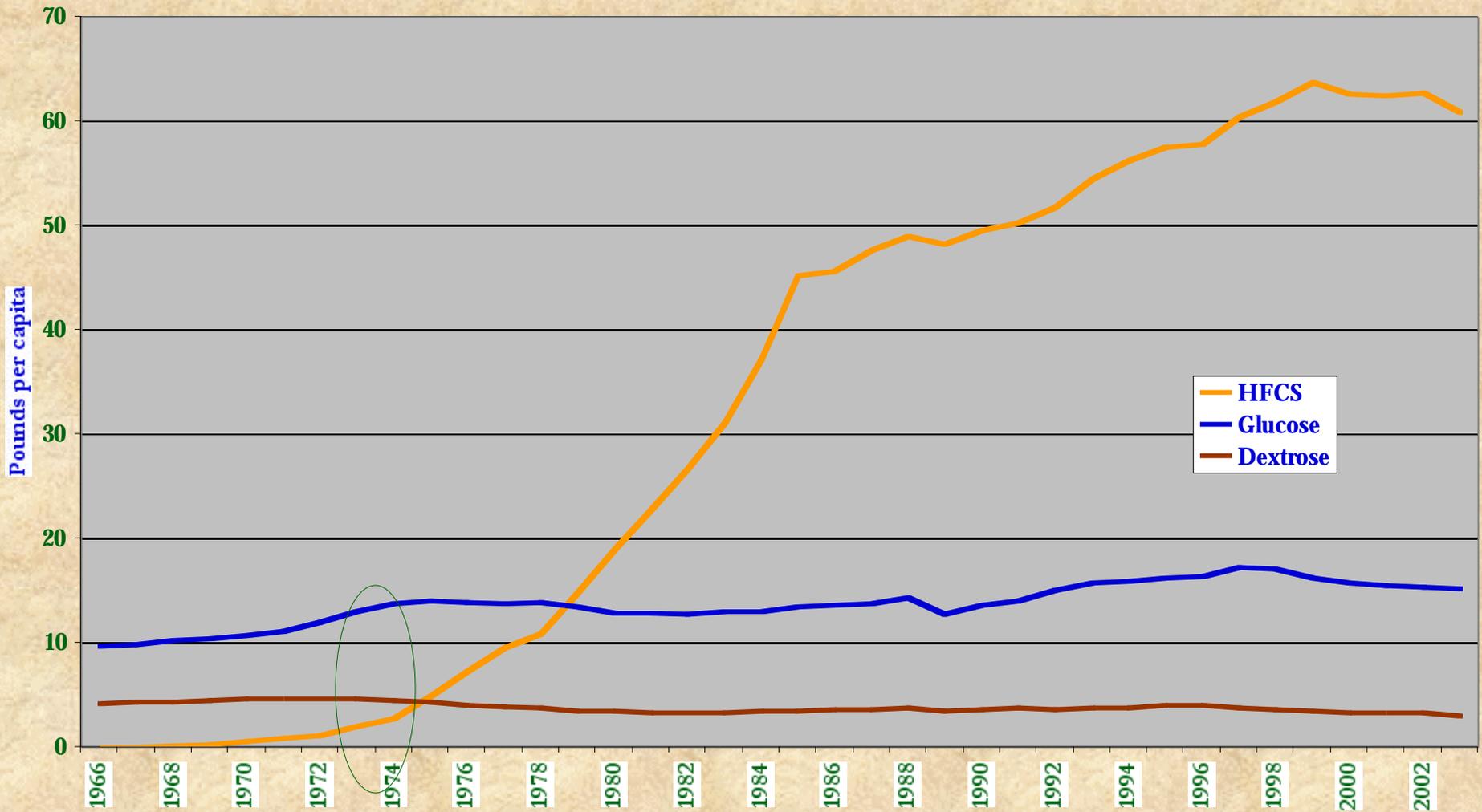
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Source: BEA



### Corn sweeteners consumed in U.S., 1966 - 2002



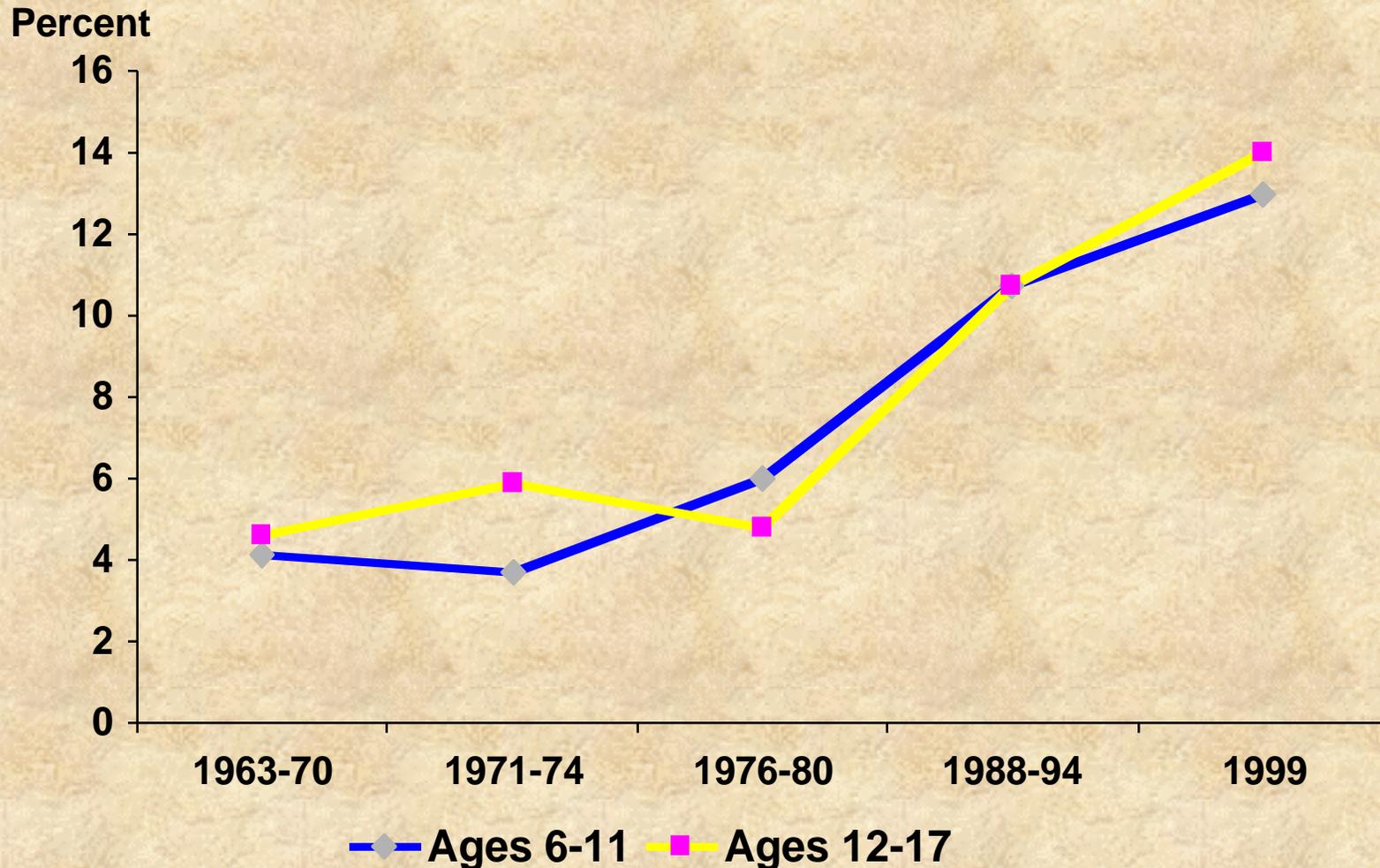
© Ken Meter, 2007

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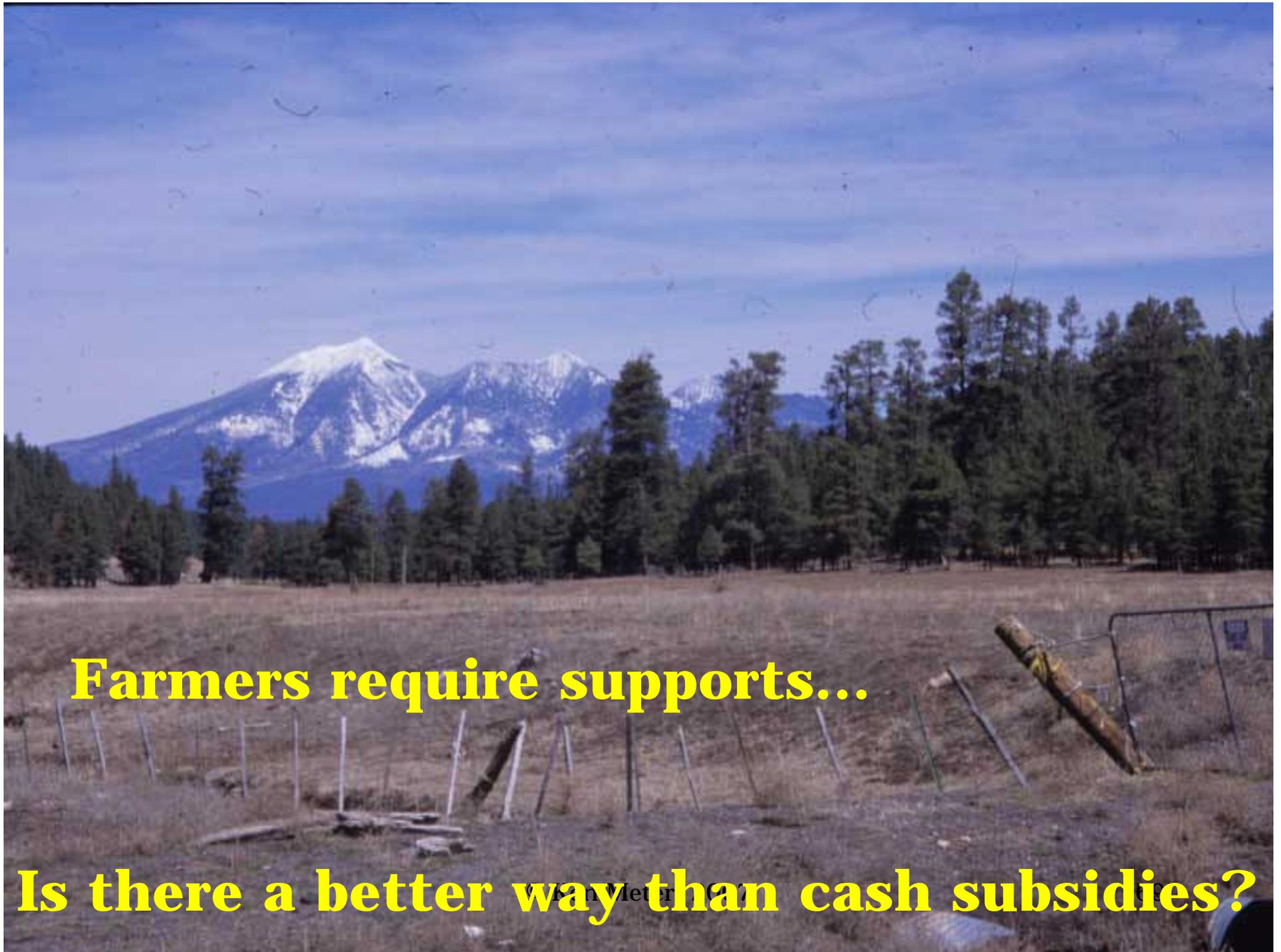
Source: USDA/ERS — chart by Ken Meter, 2006



# U.S. Youth Who are Overweight Percent by Age



≥95th percentile for BMI by age and sex, based on NHANES I reference data  
Source: Troiano RP, Flegal KM. *Pediatrics*, 1998;101(3):497-504. NHANES  
1999, National Center for Health Statistics. Chart by Melinda Hemmelgarn



**Farmers require supports...**

**Is there a better way than cash subsidies?**

© Ian Metcalfe 2011



## **Impact of Cash Subsidies**

**Farmers gain productivity**

**Farmers buy more inputs**

**Farmers produce more  
commodities**

**Lenders gain business**

**Land values rise 20-42%**



## **Impact of Cash Subsidies**

**Commodity buyers pay less**

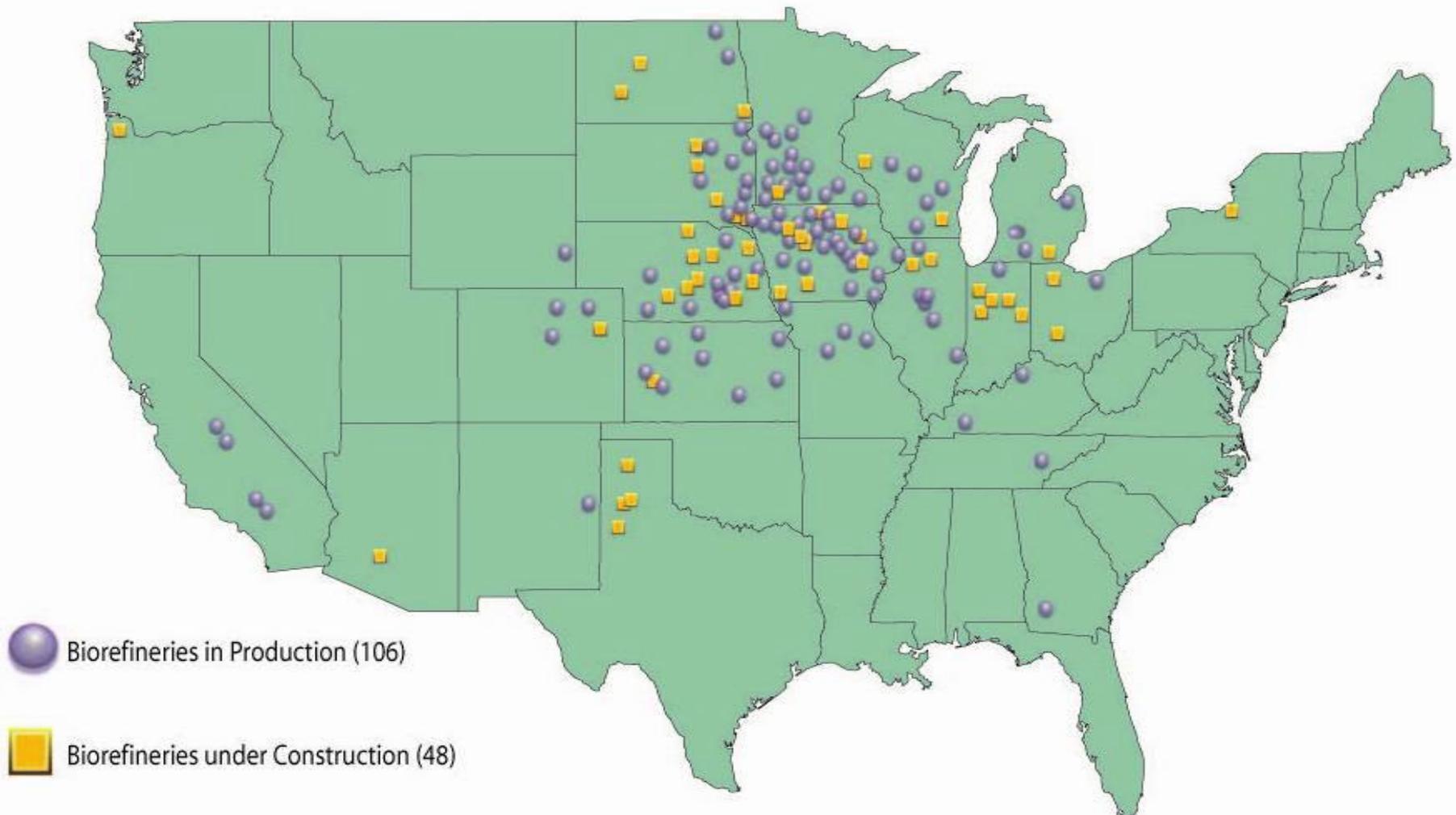
**Grain profits invested in foreign competition**

**No rise in farm equity**

**Farmers subsidize mainstream economy!**

**Wealth extracted from rural communities**

# U.S. Ethanol Biorefinery Locations



**Source: Renewable Fuels Association**

Source: Renewable Fuels Association





***Wall Street Journal:***  
**US is becoming a**  
**net food importer**

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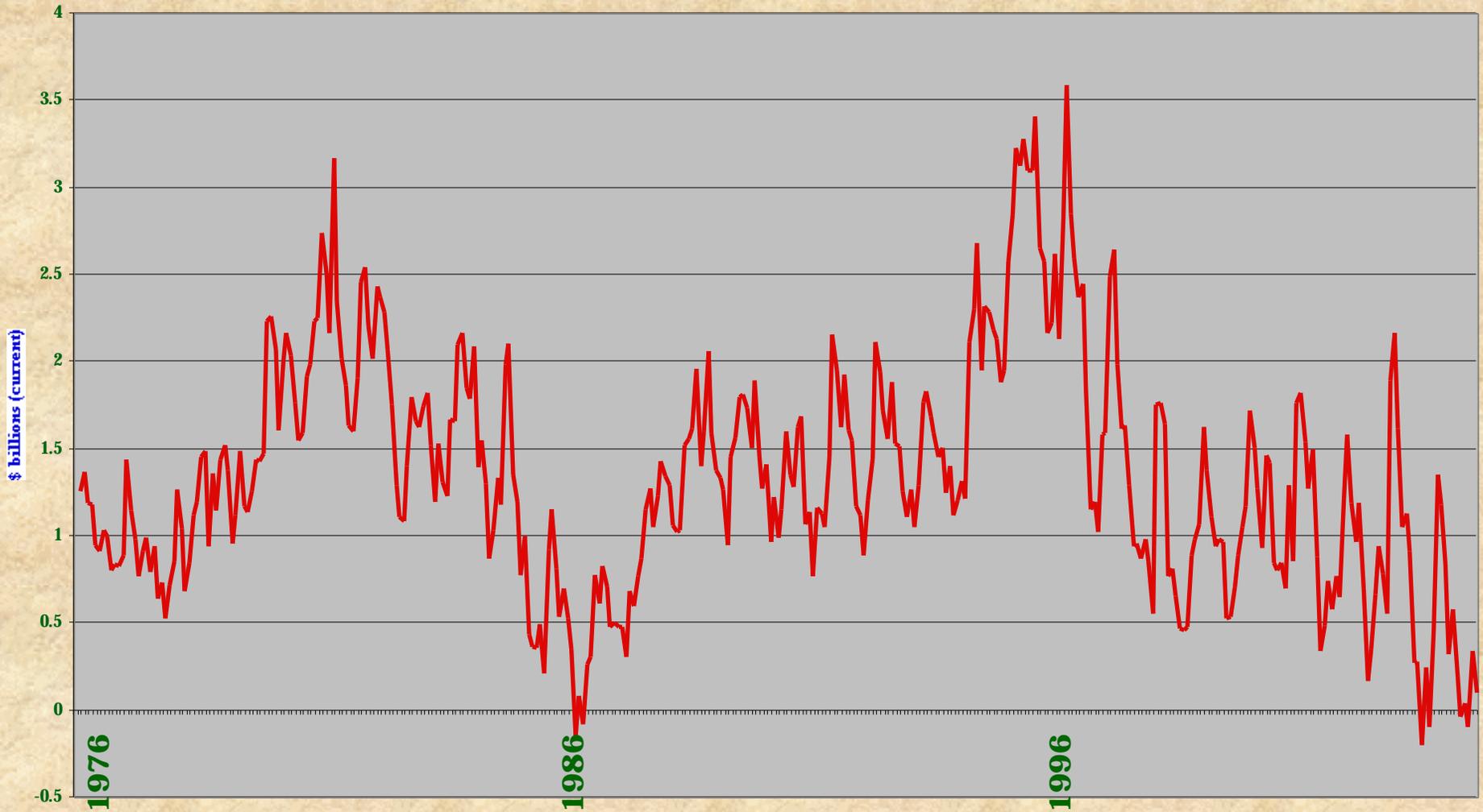
74

**Source: Adamy, *WSJ*, January 31, 2005**



# U.S. agri-trade balance

U.S. Agricultural Trade Balance, 1976 - 2005



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Source: USDA/ERS and Census Bureau



## **Food sales are concentrated**

- 49% of groceries sold by 5 chains**
- Wal-Mart & Sam's Club are top 2**
- 85% of food industries lack competitiveness**



## **Food industry is concentrated**

- **Farms got bigger despite economies of size**
- **Expansion of food industry had little to do with efficiency**
- **Wal-Mart profitability declines as it gets larger**

**Sources: several academic studies (Madden, Miller, Hallam etc);  
FTC/Parker, Greenwald & Kahn in *Harvard Business Review***



## **Lending is concentrated**

**The average U.S. bank is 1,000  
times the “most efficient” size**

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**Source: Dymski**



## Consumption out of balance

- **50% of U.S. public school students qualify for free / reduced lunch**
- **10% of households are “food insecure”**

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## **Consumption out of balance**

- **Over half of all adults overweight**
- **Half of elderly seeking medical care are undernourished**

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**Sources: Flegal, Wellman. Mural: The Food Project**



## **Health suffers**

- **Diet-related diseases cause half of all deaths in industrial world**
- **Change in diet could prevent 30% of cancer worldwide**

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**Source: Worldwatch/Gardner & Halweil**



## Health suffers

- **5,000 deaths due to food poisoning each year in U.S.**

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Sources: CDC/Walters



## Health suffers

**Medical costs of obesity are \$118 billion per year—14% of what US consumers pay for food/year**

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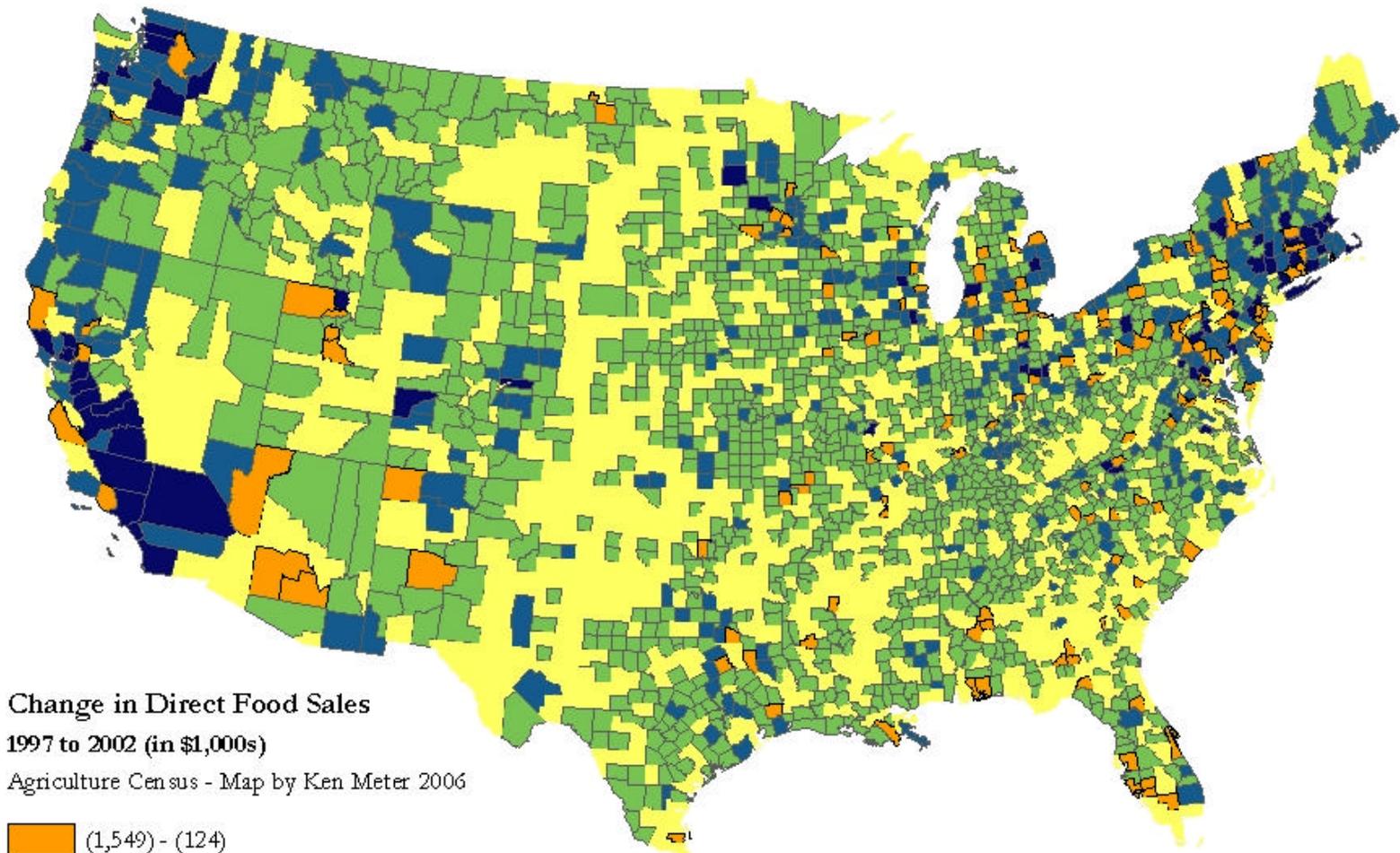
83

**Source: Harvard Public Health/Colditz**





# Direct Food Sales

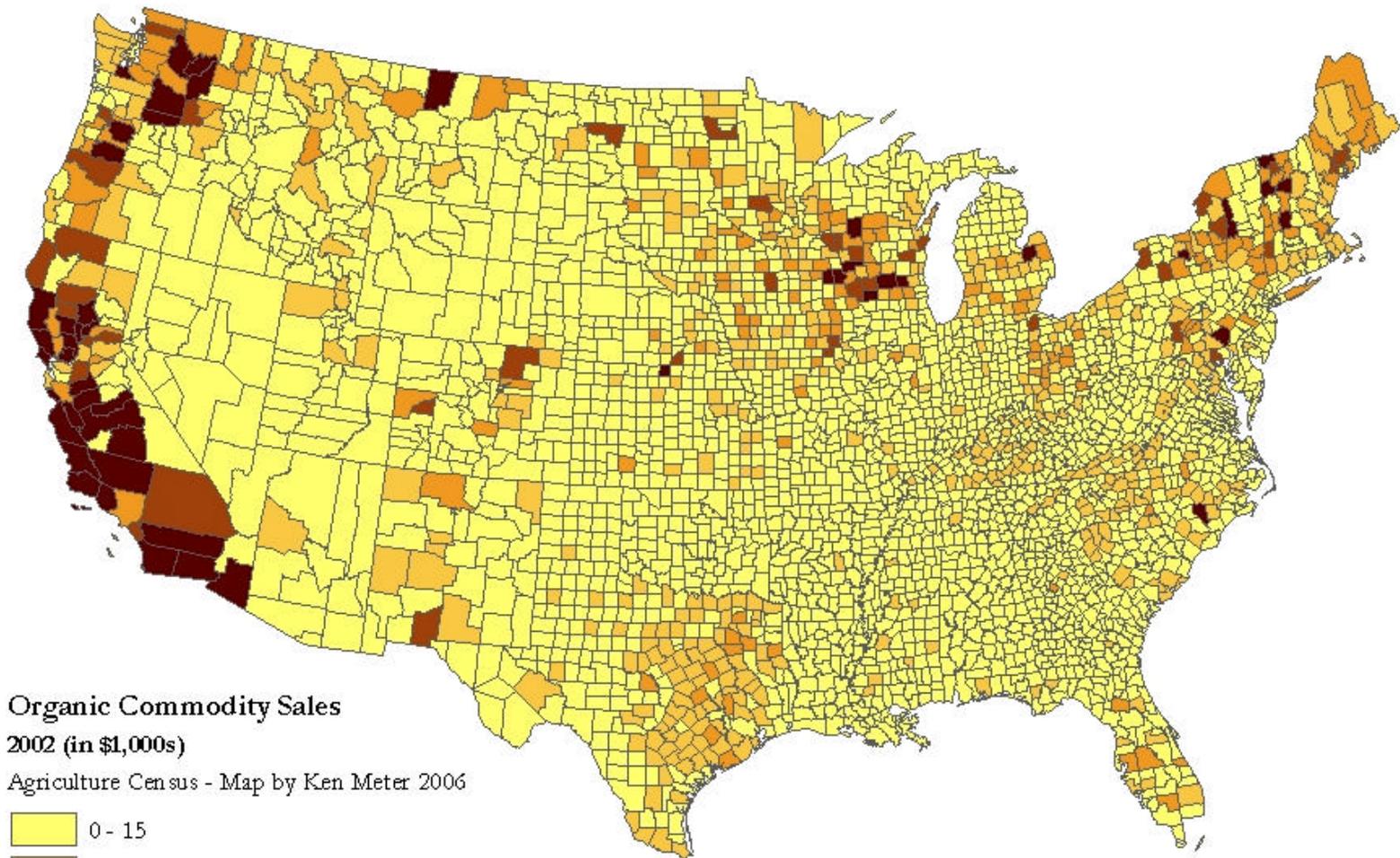


Change in Direct Food Sales  
1997 to 2002 (in \$1,000s)  
Agriculture Census - Map by Ken Meter 2006

-  (1,549) - (124)
-  (123) - 0
-  1 - 164
-  165 - 718
-  719 - 5,621



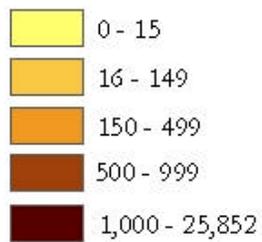
# Organic Sales



## Organic Commodity Sales

2002 (in \$1,000s)

Agriculture Census - Map by Ken Meter 2006





**20 years of coop organizing**

**800 farmer members**

**\$300 million sales (2005)**

**milk/soy milk, cheese, orange  
juice, produce, meats, eggs**



# **Federation of Southern Coops**

**35 years of coop organizing**

**28,000 members**

**14 credit unions**

**\$104 million assets**

**\$205 million loans made**



# Local Economic Analysis (LEA)

**1. Why perform LEA?**

**2. Examples**

**3. Better food policies**



**Local foods may be your  
strongest path toward  
community economic  
development**



**Suppose farmers and consumers  
work together**

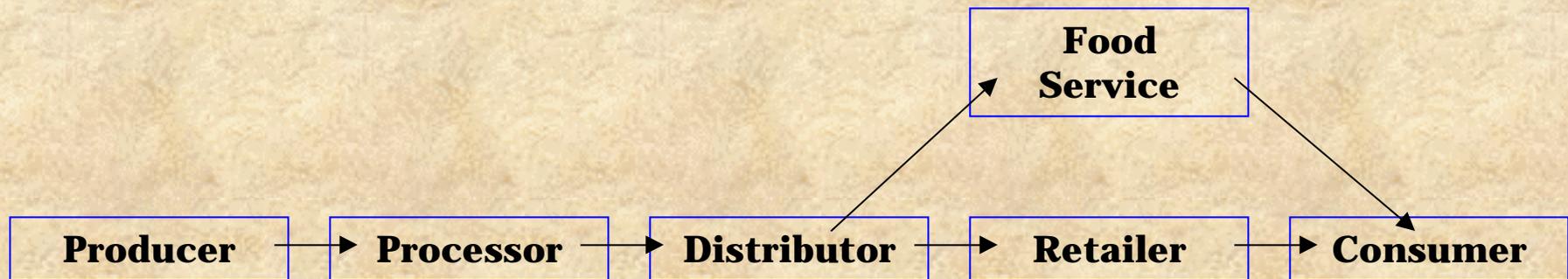
**This shifts the farm debate**



**Engage consumers  
as “co-producers”**

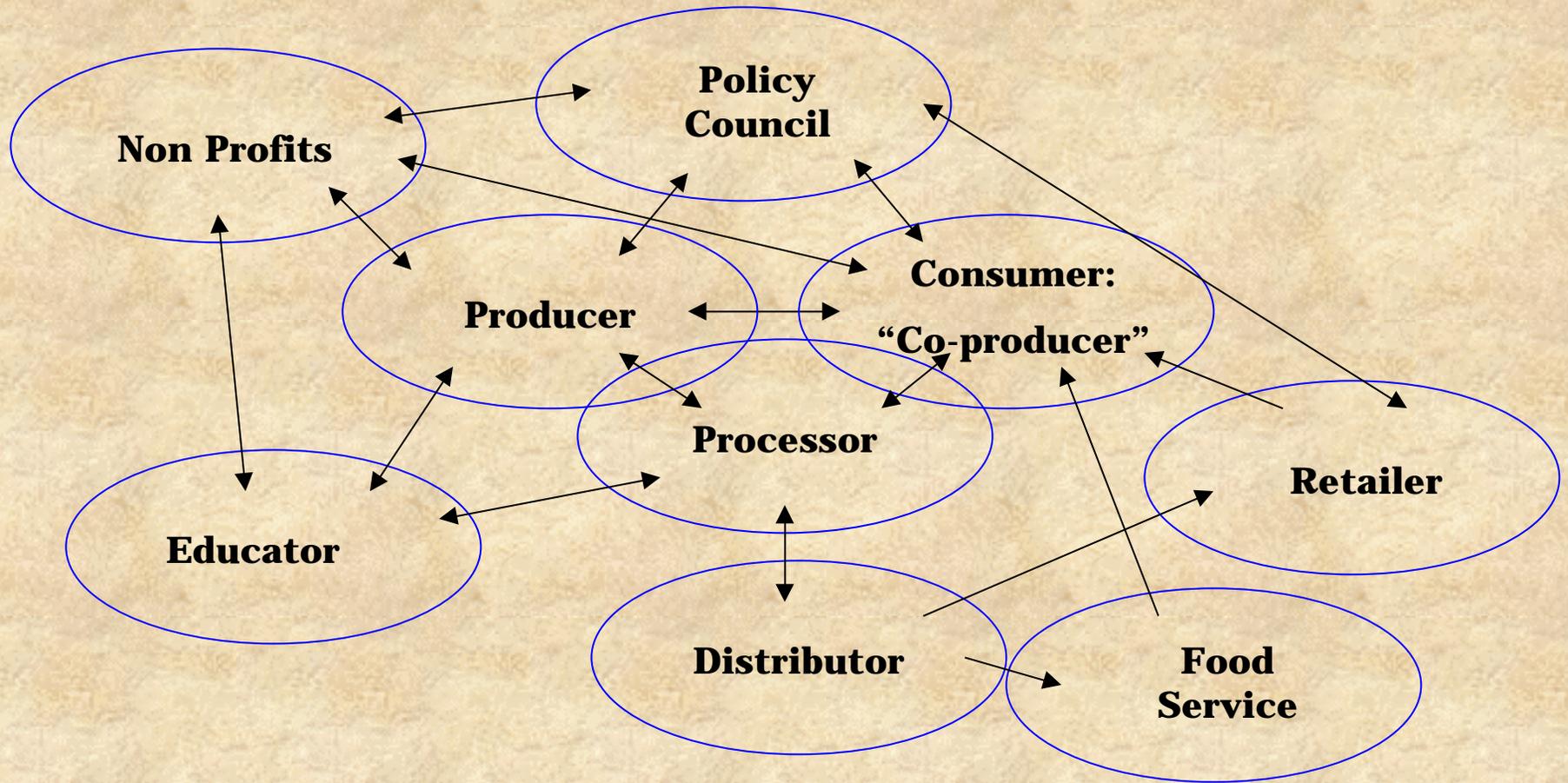


## Value Chain





# Value Network





**Producers and consumers  
share risks and rewards**



**Food (& Land) Bill**  
**Not just a Farm Bill**

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**Invest in communities**  
**rather than cash for**  
**commodities**



# Evaluate impacts on rural communities

# **“Finding Food in Farm Country”**

**[www.crcworks.org/econ.html](http://www.crcworks.org/econ.html)**

**[kmeter@crcworks.org](mailto:kmeter@crcworks.org)**

