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Nebraska's New Generation Agriculture

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Cornhusker Economics

Cooperative Extension

Institute of Agriculture & Natural Resources
Department of Agricultural Economics
University of Nebraska – Lincoln

Nebraska's New Generation Agriculture

Market Report	Yr Ago	4 Wks Ago	5/18/01
<u>Livestock and Products,</u>			
<u>Average Prices for Week Ending</u>			
Slaughter Steers, Ch. 204, 1100-1300 lb Omaha, cwt	\$71.17	\$76.98	\$74.50
Feeder Steers, Med. Frame, 600-650 lb Dodge City, KS, cwt	95.69	106.07	94.38
Feeder Steers, Med. Frame 600-650 lb, Nebraska Auction Wght. Avg	96.45	102.94	106.60
Carcass Price, Ch. 1-3, 550-700 lb Cent. US, Equiv. Index Value, cwt	114.55	116.73	118.45
Hogs, US 1-2, 220-230 lb Sioux Falls, SD, cwt	47.50	50.00	53.00
Feeder Pigs, US 1-2, 40-45 lb Sioux Falls, SD, hd	48.17	*	54.00
Vacuum Packed Pork Loins, Wholesale, 13-19 lb, 1/4" Trim, Cent. US, cwt	113.30	120.30	136.80
Slaughter Lambs, Ch. & Pr., 115-125 lb Sioux Falls, SD, cwt	103.00	75.00	85.25
Carcass Lambs, Ch. & Pr., 1-4, 55-65 lb FOB Midwest, cwt	210.00	171.00	171.00
<u>Crops,</u>			
<u>Cash Truck Prices for Date Shown</u>			
Wheat, No. 1, H.W. Omaha, bu	2.93	3.22	3.20
Corn, No. 2, Yellow Omaha, bu	2.10	1.82	1.69
Soybeans, No. 1, Yellow Omaha, bu	5.25	4.15	4.30
Grain Sorghum, No. 2, Yellow Kansas City, cwt	3.75	3.40	3.29
Oats, No. 2, Heavy Sioux City, IA, bu	1.31	1.40	1.50
<u>Hay,</u>			
<u>First Day of Week Pile Prices</u>			
Alfalfa, Sm. Square, RFV 150 or better Platte Valley, ton	115.00	115.00	115.00
Alfalfa, Lg. Round, Good Northeast Nebraska, ton	47.50	85.00	82.50
Prairie, Sm. Square, Good Northeast Nebraska, ton	90.00	105.00	105.00
* No market.			

Aggregate net farm income in Nebraska in 1999 was \$1.66 billion. While this is a substantial dollar amount, it is also misleading in two important ways. First, 1999 aggregate net farm income was nearly 20 percent below the average for the 1990's. Second, a whopping 80 percent of the aggregate net farm income, or \$1.32 billion came directly from Federal Farm Program payments. As recently as 1996, government payments were only 11% of Nebraska's aggregate net farm income (Johnson and Burkholder). In other words, very little of today's net farm income in Nebraska comes from the economic marketplace. This situation is not likely to be sustainable over the long-run.

As a consequence of this economic distress, many producers are increasingly interested in various aspects of what is often called new generation agriculture or entrepreneurial agriculture. Specific tactics or avenues that fall under this broad umbrella include such ventures as direct marketing, community supported agriculture and various types of value-added ventures. The basic idea is to put more of the food and fiber dollar into the pockets of the producer. While innately appealing, these various opportunities also require hard work and can be risky. To the extent there can be strength in numbers, individual producers are often inclined to embark on these various projects as part of a larger group. Sometimes this may be in the form of a new generation cooperative, or it may be in the form of a limited liability corporation, or a marketing alliance or some other structure. Support and assistance for these various groups is available through a number of organizations and agencies, including USDA-Rural Development, the Nebraska Department of Agriculture, the Center for Rural Affairs and the Nebraska Cooperative Development Center (NCDC).

Mr. Jim Crandall, Cooperative Development Special-



ist with the NCDC, has compiled an *inventory* of these various producer groups. This is probably the most comprehensive inventory available and it indicates that at least 35 groups are functioning in Nebraska, albeit at various levels or stages of development. Interestingly, only a handful of these groups were in existence three years ago. And, there is certainly no *typical* group. A few examples will help to illustrate the diversity among the groups.

Sandhills Yellow Perch Cooperative. A group of cattle ranchers in the Sandhills are investigating the feasibility of utilizing their lakes to develop a fish-marketing cooperative. Preliminary findings suggest that conditions are quite favorable for yellow perch, a fish that is in considerable demand and in relatively limited supply given a decline in production in traditional fishing grounds such as the Great Lakes.

Partners Hay Marketing Cooperative. This group of producers in the Kimball area has joined together for the purpose of marketing their hay, primarily alfalfa. A marketing coordinator has been hired and sales have been brisk. Part of the target market is the pleasure horse industry in nearby Colorado, a niche market that commands a premium price for high quality hay.

Hispanic Pork. The growing Hispanic population in Nebraska and elsewhere has the potential for a niche market for Nebraska pork producers. A group of producers in Southeast Nebraska is exploring this potential. Efforts are underway to gain a better understanding of the type of special cuts and other considerations that characterize this market.

Panhandle Grape Growers. A group of producers in Western Nebraska are exploring the potential for grape production, and the market for wine and related products. The group is only five months old, but has considerable momentum. A similar effort is underway in Southeast Nebraska. It is interesting to note that Nebraska once had a modest wine industry in the early 1900's.

The NCDC recently surveyed the various groups involved in new generation agriculture to find out the type of technical assistance and support they need as they look to the future. Twenty five groups responded and some of the findings follow:

- ☞ 17 of the ventures will need help with developing a business plan.
- ☞ 15 of the ventures will need help with legal advice and assistance.
- ☞ 15 of the ventures will need help with market analysis.

- ☞ 15 of the ventures will need help with developing a marketing plan.
- ☞ 14 of the ventures will need assistance with general organizational development such as membership recruitment, board and member education, and assistance with bylaw development and management and personnel issues.
- ☞ 13 of the ventures will need help with financial analysis and planning.
- ☞ 11 ventures will need help with a feasibility study.

Almost all of the groups expressed a strong interest in learning from one another through various mechanisms, e.g., conferences and workshops, an occasional newsletter and a listserv. Moreover, 13 of the groups were interested in moving beyond shared communication/learning and into a higher order of partnering. Examples of this type of partnering include sharing the cost of a manager, or developing a common marketing strategy that would involve several groups.

It is sometimes said that adversity is a fertile ground for creativity. It appears that the difficulties in the agricultural sector have led to an unparalleled willingness to *think outside the box* by Nebraska's farmers and ranchers. As with everything in life, some of these creative efforts will succeed and others will not. Those involved in these new ventures seem to have an excellent understanding of both the risks and rewards. They want to take the judicious path by making certain they undertake the necessary legal work, market analysis and business and financial planning. University faculty, including Extension Educators, and personnel in other agencies and organizations are playing an important role by providing the type of technical assistance needed by these agricultural entrepreneurs. It appears the need and demand for this type of support and assistance will surely grow.

Reference:

Johnson, Bruce and Jared Burkholder. "State's Net Farm Income Levels Tell Quite a Story," *Cornhusker Economics*. Department of Agricultural Economics, UNL. August 23, 2000.

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