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UNIVERSITY OF  
**Nebraska**  
Lincoln

**Spring/Summer 2003**

## *Economic Issues For Nebraskans*



**Department of Agricultural Economics  
University of Nebraska-Lincoln**

*In this issue:*

- *Anti-corporate farming laws*
- *New generation cooperatives*
- *Off-farm employment and income*

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# From the department head's desk:

## Looking forward to a busy spring

**T**he Department of Agricultural Economics is in the midst of an eventful spring semester, during which we are conducting a number of important activities involving planning for the future. During the week of May 12, we are holding a three-day comprehensive review of the department's teaching, research, and extension programs in accordance with the Bylaws of the Board of Regents of the University of Nebraska and Legislative Bill 663, which require every institution within the university system to periodically review its academic programs. Administrative units within the Institute of Agriculture and Natural Resources typically conduct comprehensive program reviews every five or six years. This department's last review was in 1997.

This spring's review will benefit from the participation of an external review panel representing UNL faculty, students, stakeholders, and administrators. In addition, the panel will include individuals from Kansas State University, Purdue University, the University of Rhode Island, and the Cooperative State Research, Education, and Extension Service of the U.S. Department of Agriculture. The review will focus on the needs for, and the goals of, the department's programs in relation to the needs and goals of the state, the university, and those persons affected by the programs in the context of available and necessary resources. The review will also establish future program objectives and is an integral component of the university's ongoing strategic and budget planning processes. Department faculty members are currently developing a self-study document upon which the review will be based.

Meanwhile, the department is in the process of implementing changes resulting from our recent strategic planning process, which culminated in January with the faculty's adoption of a substantially revised set of departmental bylaws. We plan on reporting on the products of the strategic planning process, as well as, the upcoming program review, in the next issue of *Focus*. One of these products is the establishment of an external networking committee, which consists of a cross-section of leaders representing agricultural producers, agribusinesses, and agricultural interests in the state. One purpose of this group will be to help the department identify important economic issues for inclusion in our teaching, research, and extension programs. We hosted the inaugural meeting of the group in April. At that meeting, members of the group had an opportunity to share their ideas and perspectives. They also were briefed on the department's programs and had a chance to visit with faculty members who share their interests.

Finally, on a personal note, I would like to announce my plans to step down as department head, effective June 30, 2003, in order to resume my academic career. I am pleased with the direction the department is taking and proud of the accomplishments of our faculty and staff during the past four years. I am also pleased that Professor Richard Clark, a member of our faculty stationed at the West Central Research and Extension Center in North Platte, has agreed to assume my administrative responsibilities as head. Dick is well acquainted with the needs of the state and has a deep appreciation for the department's programs. The department will be in good hands under his leadership.



**Jeffrey S. Royer**  
**Professor and Head**

# F O C U S

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# Anti-corporate farming laws and industry structure:

## The case of Initiative 300 and cattle feeding

by Azzeddine M. Azzam, John R. Schroeter, and J. David Aiken

Nine states; Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, Oklahoma, South Dakota, and Wisconsin; have laws that restrict corporate involvement in agricultural production. In some cases, like Nebraska, these restrictions are written into the states' constitutions; in others, they are part of statute law. The specific provisions of these laws, commonly known as "anti-corporate farming laws" vary from state to state. Limitations on the size of corporations' agricultural landholdings are a common provision. In some states, corporations are virtually prohibited from acquiring farmland. Other states simply outlaw corporate involvement in specific agricultural activities. The laws in all of the nine states include an exemption for the authorized "family farm corporation," which is defined in various ways but generally means an incorporated farm enterprise with a limited of stockholders at least one of whom resides on or operates the farm.

Most observers seem to agree that the main intent of these laws is to preserve and protect the family farm as the basic unit of production. Compared to other forms of business organization, the corporation has certain advantages, chiefly the protection of limited liability. In light of this, some have argued that restrictions are needed to provide a "level playing field" among organizational forms so that family farms operated as

individual proprietorships or partnerships can compete on an equal footing.

This rationale for anti-corporate farming laws emphasizes business organizational form and, to be sure, the direct impact of existing laws is the regulation of the ownership structure of agriculture. Whether there is an indirect impact on the size structure of agriculture is also a matter of considerable interest, however. Some have argued that part of the motivation for the laws was to prevent large businesses from dominating agricultural production. The corporation is targeted by the laws, not because of any intrinsic faults, but because it is the organizational form typically used by large firms. Fear of monopolization of the food supply by agribusiness conglomerates, and the attendant ability of these large firms to control prices, as part of the justification for anti-corporate farming laws. Recently, the Community Environmental Legal Defense Fund, in its 1997 memorandum summarizing the nature and effects of anti-corporate farming laws, reported changes in the state-by-state size distributions of farms as evidence of the laws' effectiveness.

Others maintain that "bigness," per se, is not, and should not be, the target of anti-corporate farming laws. Following this point of view, any impact on the size distribution of agricultural producers would merely be a side-effect rather than part of the laws' legitimate objectives.

Opponents of anti-corporate farming laws often argue, however, that the laws are likely to have indirect effects on size structure and that these potential effects are likely to be adverse. The argument supporting this view draws on a theme that has been present in the agricultural economics literature for decades: Achieving economies of scale in agricultural production requires substantial investment, and corporations may have advantages over other organizational forms in meeting the capital requirements of large-scale, cost-efficient operation. Thus, when corporate involvement in agriculture is restricted, the result might be a producer size distribution that, from the standpoint of cost-efficiency, is too-heavily concentrated in the small-firm-size categories.

To find out if restriction of corporate involvement in agriculture does effect producer size distribution, we looked at whether Nebraska's Initiative 300, the most restrictive anti-corporate law in the country, has had an impact on the size distribution of one of the state's most important industries: cattle feeding. To make sure the impact we find is attributable to Initiative 300, and not something else, we chose Kansas, Colorado, and Texas, states with no corporate restrictions on cattle production, as "control states." That helps identify common trends in the evolution of the structure of the cattle feeding industry in all four states.

The data we used consist of numbers of feedlots in each of seven size categories, by state and by year. Each size category is defined in terms of a range of feedlot capacities in number of head of cattle: less than 1000, 1000 - 1999, 2000 - 3999, 4000 - 7999, 8000 - 15,999, 16,000 - 31,999, and greater than or equal to 32,000. Available data span the 1968-1995 period for Colorado, Kansas, and Texas. For Nebraska, they extend for an additional six years, covering the period from 1968 to 2001.

Table 1 reports firm size category shares for each state for selected years. A cursory inspection of these figures reveals that the feedlot industry's structure in all four states exhibits a trend toward larger firm size. Over the 1968-1995 period, for example, the share of the smallest size category decreased in all four states. In Nebraska, Colorado, and Kansas, all six of the remaining categories experienced growth in shares. In Texas, the four smallest size categories contracted, in relative terms, while the three largest expanded. Our objective, however, is to determine whether there is a statistically significant difference in the underlying processes governing the evolution of market structure, either across states or within the state of Nebraska between the pre- and post-Initiative 300 eras. This is not immediately apparent from a casual inspection of the data and requires careful testing using statistical methods.

What we found was that there was no statistical difference between how the size of feedlots has evolved in Nebraska and how they've evolved in Colorado, Kansas, and Texas, states that have no restrictions on corporate investment in cattle feeding. So, if there is anything that Initiative 300 has accomplished is keep non-family corporations away from

**Table 1. Feedlot industry firm size category shares for Colorado, Kansas, Nebraska, and Texas for selected years.**

Year/state		Firm size categories (feedlot capacity in head)						
		<1K	1-2K	2-4K	4-8K	8-16K	16-32K	>32K
1968	CO	0.928*	0.015	0.022	0.015	0.0118	0.0073	0.0007
	KS	0.990	0.002	0.003	0.002	0.0017	0.0008	0.0001
	NE	0.979	0.012	0.005	0.003	0.0007	0.0002	0.0001
	TX	0.854	0.055	0.033	0.028	0.0184	0.0099	0.0026
1975	CO	0.641	0.117	0.117	0.047	0.0391	0.0279	0.0112
	KS	0.979	0.002	0.003	0.006	0.0040	0.0041	0.0011
	NE	0.975	0.011	0.007	0.003	0.0020	0.0006	0.0003
	TX	0.837	0.024	0.019	0.025	0.0336	0.0391	0.0227
1980	CO	0.500	0.188	0.153	0.050	0.0550	0.0375	0.0175
	KS	0.929	0.029	0.012	0.009	0.0114	0.0069	0.0020
	NE	0.971	0.015	0.007	0.004	0.0023	0.0009	0.0003
	TX	0.849	0.019	0.014	0.025	0.0319	0.0383	0.0237
1985	CO	0.467	0.173	0.179	0.070	0.0606	0.0333	0.0182
	KS	0.909	0.020	0.017	0.015	0.0218	0.0127	0.0045
	NE	0.956	0.019	0.013	0.006	0.0041	0.0012	0.0005
	TX	0.848	0.010	0.011	0.021	0.0360	0.0410	0.0330
1990	CO	0.418	0.189	0.175	0.095	0.0632	0.0316	0.0281
	KS	0.851	0.056	0.027	0.017	0.0242	0.0184	0.0068
	NE	0.938	0.021	0.019	0.011	0.0065	0.0029	0.0005
	TX	0.810	0.014	0.016	0.026	0.0513	0.0413	0.0413
1995	CO	0.424	0.176	0.155	0.100	0.0793	0.0379	0.0276
	KS	0.875	0.057	0.019	0.010	0.0142	0.0183	0.0063
	NE	0.883	0.048	0.031	0.022	0.0102	0.0045	0.0011
	TX	0.787	0.016	0.014	0.025	0.0488	0.0457	0.0630
2000	NE	0.866	0.051	0.038	0.024	0.0125	0.0062	0.0013

\*For example, 92.8 percent of the feedlots in Colorado in 1968 were in the less-than-1,000-head-capacity category.

investing in the state's cattle feeding industry.

How one feels about this depends, of course, on one's values. For those who hoped that anti-corporate farming laws will preserve smaller-scale operations, the findings of our study are discouraging: Nebraska's law does not seem to have slowed the trend toward larger establishments in the feedlot industry. For the family-farm advocates who are indifferent between large and small "farms," as long as they are "family"-owned, the findings

are encouraging: It is possible to regulate ownership structure without having the (adverse) impact on size structure that the critics of anti-corporate farming laws claim. Also, if one believes that the prevailing trend toward large-scale operation is cost-efficient, the findings could be good news for consumers concerned about higher beef prices. However, there may be other implications of size structure, beyond cost efficiency, about which the public might be concerned. The environmental impact of large vs. small feedlots is one example.

The question raised by the findings is why do we find no difference between the feedlot size distribution trends in Nebraska, on the one hand, and in the other three states with no applicable anti-corporate farming restrictions, on the other? There are a few candidate explanations. One possibility is that the kind of corporate investments that are barred in

Nebraska are not attractive and, in fact, are not occurring in other states either. Anecdotal evidence suggests, however, that non-family farm corporations are major players in the cattle feeding industry in other states. Another factor may be that the Nebraska law restricts entry of new corporate-owned feedlots but does relatively little to constrain

incumbent feedlots. A grandfather clause exempts corporate-owned feedlots that were already in operation in November 1982. It is likely that many feedlots currently operating in Nebraska are grandfathered corporations and the only restriction to which they are subject is a prohibition of additional land acquisitions. Some of these grandfathered

# INITIATIVE 300

## **Neb. Const. art. XII sec. 8:**

Sec. 8. (1) No corporation or syndicate shall acquire, or otherwise obtain an interest, whether legal, beneficial, or otherwise, in any title to real estate used for farming or ranching in this state, or engage in farming or ranching.

Corporation shall mean any corporation organized under the laws of any state of the United States or any country or any partnership of which such corporation is a partner.

Farming or ranching shall mean (i) the cultivation of land for the production of agricultural crops, fruit, or other horticultural products, or (ii) the ownership, keeping or feeding of animals for the production of livestock or livestock products.

Syndicate shall mean any limited partnership organized under the laws of any state of the United States or any country, other than limited partnerships in which the partners are members of a family, or a trust created for the benefit of a member of that family, related to one another within the fourth degree of kindred according to the rules of civil law, or their spouses, at least one of whom is a person residing on or actively engaged in the day to day labor and management of the farm or ranch, and none of whom are nonresident aliens. This shall not include general partnerships.

These restrictions shall not apply to:

(A) A family farm or ranch corporation. Family farm or ranch corporation shall mean a corporation engaged in farming or ranching or the ownership of agricultural land, in which the majority of the voting stock is held by members of a family, or a trust created for the benefit of a member of that family, related to one another within the fourth degree of kindred according to the rules of civil law, or their spouses, at least one of whom is a person residing on or actively engaged in the day to day labor and management of the farm or ranch and none of whose stockholders are non-resident aliens and none of whose stockholders are corporations or partnerships, unless all of the stockholders or partners of such entities are persons related within the fourth degree of kindred to the majority of stockholders in the family farm corporation.

These restrictions shall not apply to:

(B) Non-profit corporations.

These restrictions shall not apply to:

(C) Nebraska Indian tribal corporations.

These restrictions shall not apply to:

(D) Agricultural land, which, as of the effective date of this Act, is being farmed or ranched, or which is owned or leased, or in which there is a legal or beneficial interest in title directly or indirectly owned, acquired, or obtained by a corporation or syndicate, so long as such land or other interest in title shall be held in continuous ownership or under continuous lease by the same such corporation or syndicate, and including such additional ownership or leasehold as is reasonably necessary to meet the requirements of pollution control regulations. For the purposes of this exemption, land purchased on a contract signed as of the effective date of this amendment, shall be considered as owned on the effective date of this amendment.

These restrictions shall not apply to:

(E) A farm or ranch operated for research or experimental purposes, if any commercial sales from such farm or ranch are only incidental to the research or experimental objectives of the corporation or syndicate.

These restrictions shall not apply to:

(F) Agricultural land operated by a corporation for the purpose of raising poultry.

These restrictions shall not apply to:

(G) Land leased by alfalfa processors for the production of alfalfa.

corporations may have been able to expand their operations without adding new land. Finally, the Nebraska law's definition of authorized "family-farm" corporations allows for sale of up to 49% of the firm's stock to non-family-member investors. This feature improves the access to capital for family-farm corporations and may negate at least part of any

capital-raising disadvantage, relative to non-family-farm corporations, that they otherwise would have faced.

*For more information, e-mail Azzeddine Azzam, [aazzam1@unl.edu](mailto:aazzam1@unl.edu).*

*This article is an excerpt from a larger technical report. The report is available at the Web site of the Center for Agricultural & Food Industrial Organization: <http://agecon.unl.edu/cafo/research/workingpapers/1300.pdf>. The research project received financial support from the National Research Initiative Competitive Grants Program (Markets and Trade area), CSREES/USDA, Proposal No. 01-01641.*

These restrictions shall not apply to:

(H) Agricultural land operated for the purpose of growing seed, nursery plants, or sod.

These restrictions shall not apply to:

(I) Mineral rights on agricultural land.

These restrictions shall not apply to:

(J) Agricultural land acquired or leased by a corporation or syndicate for immediate or potential use for nonfarming or nonranching purposes. A corporation or syndicate may hold such agricultural land in such acreage as may be necessary to its nonfarm or nonranch business operation, but pending the development of such agricultural land for nonfarm or nonranch purposes, not to exceed a period of five years, such land may not be used for farming or ranching except under lease to a family farm or ranch corporation or a non-syndicate and non-corporate farm or ranch.

These restrictions shall not apply to:

(K) Agricultural lands or livestock acquired by a corporation or syndicate by process of law in the collection of debts, or by any procedures for the enforcement of a lien, encumbrance, or claim thereon, whether created by mortgage or otherwise. Any lands so acquired shall be disposed of within a period of five years and shall not be used for farming or ranching prior to being disposed of, except under a lease to a family farm or ranch corporation or a non-syndicate and non-corporate farm or ranch.

These restrictions shall not apply to:

(L) A bona fide encumbrance taken for purposes of security.

These restrictions shall not apply to:

(M) Custom spraying, fertilizing, or harvesting.

These restrictions shall not apply to:

(N) Livestock futures contracts, livestock purchased for slaughter, or livestock purchased and resold within two weeks.

If a family farm corporation, which has qualified under all the requirements of a family farm or ranch corporation, ceases to meet the defined criteria, it shall have fifty years, if the ownership of the majority of the stock of such corporation continues to be held by persons related to one another within the fourth degree of kindred or their spouses, and their landholdings are not increased, to either re-qualify as a family farm corporation or dissolve and return to personal ownership.

The Secretary of State shall monitor corporate and syndicate agricultural land purchases and corporate and syndicate farming and ranching operations, and notify the Attorney General of any possible violations. If the Attorney General has reason to believe that a corporation or syndicate is violating this amendment, he or she shall commence an action in district court to enjoin any pending illegal land purchase, or livestock operation, or to force divestiture of land held in violation of this amendment. The court shall order any land held in violation of this amendment to be divested within two years. If land so ordered by the court has not been divested within two years, the court shall declare the land escheated to the State of Nebraska.

If the Secretary of State or Attorney General fails to perform his or her duties as directed by this amendment, Nebraska citizens and entities shall have standing in district court to seek enforcement.

The Nebraska Legislature may enact, by general law, further restrictions prohibiting certain agricultural operations that the legislature deems contrary to the intent of this section. (Adopted, 1982.)



# Grandfathered corporations and Initiative 300

by J. David Aiken

**A**rticle 8 section 12 of the Nebraska Constitution, popularly known as Initiative 300, prohibits nonfamily farm corporations and syndicates from owning or operating agricultural land in Nebraska. These requirements have restricted among other things the development of large-scale livestock facilities by absentee owners. However, an Initiative 300 provision exempting land owned by existing corporations and syndicates from family farming requirements may provide a significant pool of land that is not subject to Initiative 300's family farming requirements. If significant investor interest in agricultural land develops, this grandfathered land may command a market premium in the future.

Initiative 300 was adopted in 1982 in response to public concerns that corporations and investors were changing the face of Nebraska agriculture. This was a period of relatively high crop prices, which sparked investor interest in agricultural operations. Center pivot irrigation systems were developed on a ranch north of North Platte owned by the Prudential Insurance Company. Limited partnerships were touted in the Wall Street Journal to develop center-pivot irrigated farms in the Nebraska sandhills. Initiative 300 supporters argued that these developments threatened traditional Nebraska agricultural interests and Nebraska voters agreed, adopting the initiative on November 2, 1982. Prudential subsequently sold its agricultural property (although it was not legally required to do so), and much of the sandhills center-pivot irrigated corn fields has been retired from crop production

and placed in the federal Conservation Reserve Program.

Article 8 section 12 refers to "syndicates" in a rather specialized way, which needs to be explained. Syndicates in Initiative 300 refer to limited partnerships that do not meet family farm or ranch limited partnership requirements. Under Initiative 300, family farm limited partnerships are those where all partners are family members (within the fourth degree of kinship: first cousins) and one family member either resides on the farm or ranch or else provides daily labor and management for the farm or ranch. Syndicates are farm or ranch limited partnerships that do not qualify as family farm limited partnerships.

Initiative 300 requirements for family farm or ranch corporations are similar, except that 100 percent family ownership of corporate shares is not required — family members need only own a majority of voting shares. Otherwise, a family member must either reside on the farm or ranch or provide daily labor and management to the farm or ranch operation.

A new legal entity similar to the limited partnership is the limited liability company, or LLC. LLCs are not directly regulated by Initiative 300. However, the Nebraska Legislature has enacted legislation treating LLCs the same as syndicates under Initiative 300. Family farm LLCs are authorized if family members own all LLC interests, and if one family member either resides on the farm or ranch or else provides daily labor and management for the farm or ranch operation.

The Nebraska Supreme Court has ruled that Initiative 300 applies to agricultural cooperatives organized as nonprofit corporations. *Pig Pro v Moore*, 253 Neb 72 (1997). In this case a group of farmers sought to establish a swine farrowing operation that would be jointly owned by the cooperative members, and which would provide each member with a supply of feeder pigs. Farrowing cooperatives were common before the adoption of Initiative 300, and those in existence when Initiative 300 was adopted were grandfathered. But the 1997 *Pig Pro* decision makes it clear that new farrowing cooperatives cannot be developed, at least not routinely. In this case the proposed *Pig Pro* farrowing cooperative was abandoned.

The Nebraska Supreme Court has also interpreted the article 8 section 12 daily labor requirement. In *Hall v Progress Pig Inc.*, 259 Neb 407 (2000), the court ruled that a farmer who did not live on the swine facility and who spent less than one hour per month working directly with the hogs did not provide daily labor for the swine operation. In this case the swine facility was reorganized as a general partnership, which would meet Initiative 300 requirements.

The article 8 section 12 corporate farming restrictions apply only to agricultural production but not to agricultural product marketing. So, for example, a value-added entity that marketed the output of its members could be formed as a corporation, limited partnership or LLC without regard to Initiative 300. Joint agricultural production ventures, however, are subject to Initiative 300's corporate farming



restrictions. Initiative 300 also does not apply to proprietorships or general partnerships, so absentee owners may own Nebraska farms or ranches through either proprietorships or general partnerships and not violate article 8 section 12.

Initiative 300 has slowed the development of larger livestock facilities in Nebraska. At least one agricultural cooperative has developed a swine farrowing operation in Colorado instead of in Nebraska in order to provide a supply of feeder pigs to its Nebraska cooperative farmer members. Investor-owned swine facilities have been slower to develop in Nebraska than in nearby states with less restrictive corporate farming requirements, although some large investor-owned swine facilities have recently organized as general partnerships.

The grandfather clause has not figured largely in Initiative 300 controversies to date, at least not in a highly visible way, although this may change. Certainly, many of Nebraska's cattle feedlots might have difficulty meeting the *Progress Pig* daily labor requirement if family members were involved in management positions with employees working directly with the cattle. However, most of these feedlots were probably incorporated prior to Initiative 300's adoption in 1982, and thus would qualify for the grandfather exemption.

The article 8 section 12 grandfather clause exempts agricultural land owned by a corporation or syndicate "so long as such land or other interest in title shall be held in *continuous ownership* or under continuous lease *by the same such corporation or syndicate*" (emphasis added). This means that if the grandfathered corporation (or syndicate) sells the land, the land loses its grandfather exemption. However, if the corporation (or syndicate) simply sells its corporate shares (or partnership interests) to new owners instead of selling the land, the same corporation (or syndicate)

still owns the grandfathered land. This means that the corporation or syndicate is still grandfathered, even if it has completely new owners. So the key to the grandfather exemption is retaining the same legal entity that was originally grandfathered in 1982. Owners may change, and the new owners may put the grandfathered land to a new agricultural use. But if the corporation (or syndicate) is grandfathered, the entity retains the grandfathered status even if the entity's owners change.

A word of caution is in order here. There has been no litigation regarding article 8 section 12's grandfather provision. However the language is straightforward, indicating that the legal entity is entitled to the exemption as long as the entity is in continued existence. Initiative 300 does not restrict ownership changes in grandfathered corporations or syndicates. So the logical conclusion is that such grandfathered corporations or syndicates may be purchased and still retain their grandfathered status.

What does this mean? A grandfathered ranch organized as a corporation could be purchased by investors who want to turn the ranch into a center-pivot farm. The investors in the grandfathered ranch could not do this by forming a corporation and then buying land for center pivot development because the corporation would likely not qualify as a family farm or ranch corporation. However the investors could purchase the stock of an existing grandfathered farm or ranch and develop the grandfathered land as they wished without regard to Initiative 300. A single family would not need to own a majority of the grandfathered corporation's stock (or all of the grandfathered syndicate's partnership interests), and none of the owners would need to live on the farm or ranch or provide daily labor and management. The grandfathered operation could be operated on a complete absentee-ownership basis.

The swine farrowing situation would work similarly. If one of a group of farmers wishing to form a farrowing cooperative owned a grandfathered corporation or syndicate, shares in that corporation or syndicate could be sold to the rest of the farmers. The farrowing facility would be located on the grandfathered land and would be owned by the grandfathered corporation (or syndicate). A single family would not need to own a majority of the grandfathered corporation's stock, and none of the owners would need to live on the farm or ranch or provide daily labor and management.

The Initiative 300 grandfather clause presents some interesting possibilities for those interested in developing agricultural operations in Nebraska within a corporate framework but not able to meet article 8 section 12's family farming corporation requirements. Recently there has been investor interest in developing large-scale swine facilities in Nebraska that might be facilitated through the careful use of the Initiative 300 grandfather clause. However, most Nebraska counties are now zoned, and at least one public hearing would be required in most counties in order to receive a zoning permit for a new livestock operation. The new stiff county zoning regulations may replace Initiative 300 as a significant barrier to the development of new large-scale livestock operations in much of Nebraska.

Investors may be reluctant to significantly pursue the grandfathered corporation option until that option has been explored through litigation. If investor interest in developing Nebraska agricultural operations is sufficient, grandfathered corporations and syndicates may acquire a premium economic value. If such investor interest develops, it may signal a new chapter in the history of Nebraska's corporate farming law.

*For more information, e-mail David Aiken, [daiken@unl.edu](mailto:daiken@unl.edu).*

# New generation cooperatives

## are part of UNL's educational effort

by Lynn H. Lutgen

It has been said that adversity is a fertile ground for creativity. Because of the economic stress agricultural producers have faced in recent years, many have learned to think outside the normal box when it comes to doing business. Producers are searching for ways to generate more income and enhance their operation. They are becoming increasingly interested in "new generation" or entrepreneurial agriculture.

Direct marketing, community supported agriculture and various types of value-added ventures are being used to put more food and fiber dollar into the pockets of the producer while enhancing community visibility. Many producers have become disenchanted with the old system and find there may be strength in numbers. As part of a larger group, they are forming a new generation of cooperatives, limited liability cooperations or limited partnerships, and marketing alliances, among others.

To aid these new entrepreneurial thinkers, support and assistance is available through a number of cooperating agencies, including the USDA Growth

Development, the Nebraska Department of Agriculture, the Center for Rural Affairs and the Nebraska Cooperative Development Center (NCDC) at the University of Nebraska. These agencies have joined to try to fulfill the needs of the new type of thinker that wishes to enhance their lifestyle and financial well-being.

The lead organization that has brought producers, first responders, educators, and specialists together has been the Nebraska Cooperative Development Center. Because of their strong leadership one cannot talk about the new generation co-ops and what is happening in entrepreneurial agriculture without talking or telling about NCDC.

### The NCDC Mission

The NCDC is a network of people with access to local, state and national resources. It is dedicated to keeping people in rural areas by helping them work together to increase their income, and to help facilitate value-added agricultural opportunities.

### NCDC Goals

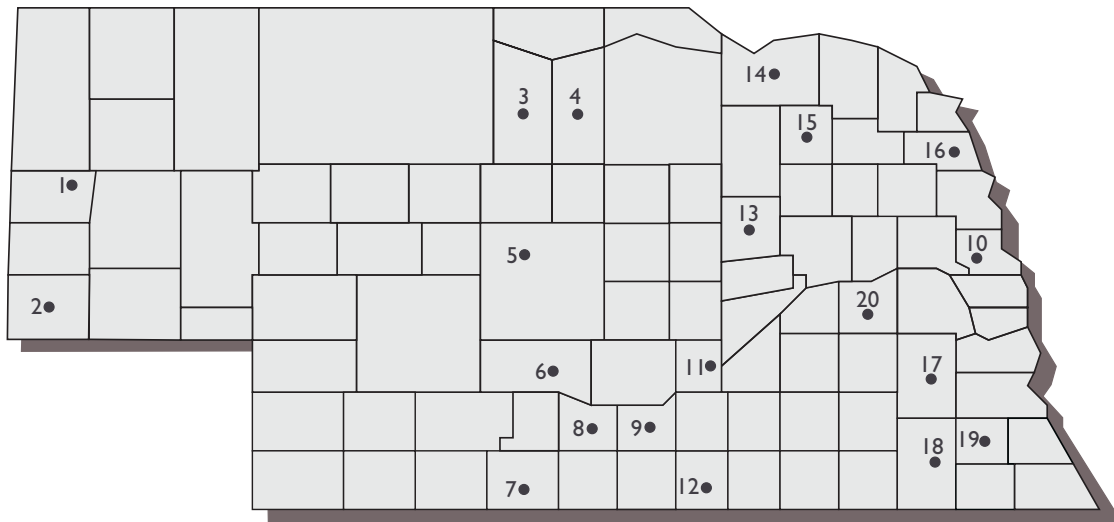
- To create and/or expand successful group efforts, including cooperatives that promote value-added agriculture and related types of entrepreneurship.
- To increase cooperation and sharing among producers, especially those who are interested in exploring the possibility of transitioning to a new type of agriculture.
- To provide customized and continuous service to producer groups throughout the life of relevant projects.
- To facilitate and support favorable public policy by increasing the awareness of rural people's needs and the role of cooperative development.

Under the leadership of NCDC director Sam Cordes, the Center has organized seminars and workshops, and has developed a group of "first responders," agricultural experts who are available to aid producers who are exploring change.

The First Responders Network is a group of certified individuals from multiple agencies who have committed part of their time to assist groups all over the state that are interested in starting new businesses. First Responders help groups access a broad range of technical assistance resources. The network has become an essential link between local groups and the vital resources available from local, state, and federal partners. Currently, 24 First Responders are serving Nebraska (*Figure 1*).

Additional information on the Nebraska Cooperative Development Center can be obtained by contacting:

- **John C. Allen**, director; e-mail: [jallen1@unl.edu](mailto:jallen1@unl.edu); (402) 472-1772.
- **Jo Lowe**, technical assistance coordinator; e-mail: [jlowe@mail.state.ne.us](mailto:jlowe@mail.state.ne.us); 1-877-496-5235.
- **Jim Crandall**, cooperative development specialist; e-mail: [jcrandall3@unl.edu](mailto:jcrandall3@unl.edu); (308) 995-3889.
- **Shirley Lederer**, administrative assistant; e-mail: [sleder1@unl.edu](mailto:sleder1@unl.edu); (402) 472-1725.



**Figure 1. Location, Name of First Responders, and their Organization**

<b>Scottsbluff (1)</b>	Cheryl Burkhart-Kriesel, UNL Panhandle Research & Extension	<b>Doniphan (11)</b>	Randy Gunn, South Central Nebraska RC&D
<b>Scottsbluff (1)</b>	Jim Schild, UNL Extension Educator	<b>Red Cloud (12)</b>	Merle Illian, Trailblazer RC&D
<b>Scottsbluff (1)</b>	Ron Moore, Panhandle RC&D	<b>Albion (13)</b>	Allen Mittan, Prairieland RC&D
<b>Sidney (2)</b>	Connie Hancock, UNL Extension Educator	<b>Center (14)</b>	Terry Gompert, UNL Extension Educator
<b>North Platte (3)</b>	Mary Gambill, USDA-RD	<b>Plainview (15)</b>	Jan Jorgensen, Northeast Nebraska RC&D
<b>Bassett (4)</b>	Gene Lehnert, North Central Nebraska RC&D	<b>Walthill (16)</b>	Mike Heavrin, CFRA
<b>Anselmo (5)</b>	Linda Fettig, Nebraska Dept. of Economic Development	<b>Lincoln (17)</b>	Jo Lowe, Nebraska Cooperative Development Center
<b>Lexington (6)</b>	Dave Stenberg, UNL Extension Educator	<b>Lincoln (17)</b>	Lynn Lutgen, University of Nebraska-Lincoln
<b>Cambridge (7)</b>	TBA Southwest RC&D	<b>Lincoln (17)</b>	John Allen, Nebraska Cooperative Development Center
<b>Holdrege (8)</b>	Jim Crandall, Nebraska Cooperative Development Center	<b>Lincoln (17)</b>	Tom Dorn, UNL Extension Educator
<b>Minden (9)</b>	Alan Corr, UNL Extension Educator	<b>Beatrice (18)</b>	Deb Yocum, USDA-RD
<b>Oakland (10)</b>	Kent Neumann, Nebraska Loess Hills RC&D	<b>Tecumseh (19)</b>	Howard McNiff, Five Rivers RC&D
		<b>David City (20)</b>	Scott Willet, Great Plains RC&D

## Nebraska's Value-Added Businesses

Finding creative ways to make quality products and generate profit are quickly becoming a part of the business landscape of Nebraska. Individuals start with an idea and the determination to see it develop, the NCDC helps them turn their idea into reality. To date, a variety of agricultural value-added businesses and other types of group ventures have started in rural Nebraska with the help of NCDC (see *Figure 2* on page 12).

Groups like these that want to form a cooperative do so with the idea that a value-added business is one way to obtain more of the food and fiber dollar.

The NCDC uses group training as well as individual consultations to teach

business planning, feasibility studies, and organizational structure.

The following is an example of what the groups learn (more detailed information can be found on the NCDC's Web site at <http://ncdc.unl.edu/>):

### A Value-Added Business Defined:

A link between the producer capital contributions and product delivery rights characterizes many value-added businesses. Recently, value-added ventures have included corn sweetener production, sugar beet processing, pasta production, and meat marketing, as well as activities related to emerging niche markets such as bison processing, tilapia production, organic milling, and specialty cheese processing. Producers generally form these organizations to develop new value-added products in

order to access a greater share of consumer food expenditures.

### Advantages of Value-Added Business:

- Allows farmers or others to work together in marketing, while maintaining their traditional independence on their own farms.
- Upfront capitalization, combined with sound advice and a solid marketing plan, can allow producers to react quickly to opportunities in the marketplace.

### Basic Steps Taken to Start a Value-Added Business:

- *Conception Stage* - Where the idea is conceived. Individuals or groups who share the vision are identified.
- *Incorporation Stage* - Includes reaching an agreement on the legal

purposes of the organization and associated operating practices. The legal existence of the business is established.

- *Business Feasibility Stage* - Business feasibility includes two parts: 1) market feasibility and 2) a business plan. The business plan addresses financial feasibility based on market assessment.

- *Organizational Framing Stage* - Operational details such as location of facilities, pricing practices, and selection of a general manager are negotiated and agreed upon.

- *Capital Acquisition Stage* - This includes both equity capital and debt capital.

- *Construction Stage* - Involves the purchase and/or construction of physical assets to be owned and operated on behalf of cooperative members.

- *Operational Stage* - Operating systems must be developed and in place to accommodate daily operations. These are generally the responsibility of a hired manager who is accountable to the board of directors. Operational systems include:

1) personnel, 2) accounting, 3) inventory, 4) pricing, and 5) marketing/sales.

On pages 13 through 16 you'll find an example of some of the information taught to groups wanting to learn how to develop and use feasibility studies. The educational effort on "Feasibility Studies" are highlighted in this issue, and the next logical step would be "developing and using business plans."

**Figure 2. Value-added businesses in Nebraska.**

Name of New Business Groups	Product or Activity	Primary Location or Area of Operation
Libby Creek Farms Value Added	Incubator kitchen	York
Sandhills Yellow Perch Cooperative	Yellow perch	Whitman
NC+ Organic Seed Cooperative	Organic seed corn	Lincoln
Nebraska Farmers Market Managers Assn.	Organizational support and development for farmers markets	Statewide
Seasonal Grass Dairy	Milk	Callaway
Southeast Nebraska Area Producers - SNAP	Specialty and identity-processed grains	Lincoln
Family Quality Pork Processors Cooperative	Pork	Petersburg
Nebraska Small Farms Natural Meat Coop	Natural meats	Statewide
Nebraska Farmers Choice Pork	Pork products	Auburn
Niobrara Valley Wood Products	Forestry products	Statewide
North Star Neighbors	Meats	Fullerton
Stateline Edible Bean Marketing Cooperative	Dry edible beans	Western Nebraska
Southeast Nebraska Alternative Crops	Fresh fruit, nuts, wine	Southeast Nebraska
Nebraska Community Food Network	Natural food products	Statewide
Mainbow Farms	Farm-fresh meats	Wynot
Ostrich and Emu Group	Ostrich and emu meat and related products	Multi-state
Husker Ag Processing	Ethanol	Plainview
Santee Sioux Meat Alliance	Natural beef/bison	Knox County
Western Nebraska Grape Growers Association	Grapes, wine	North Platte Valley
Oregon Trail Ethanol Coalition	Ethanol	Thayer County area
Regional Natural Meats Cooperative	Natural meats	Nebraska and nine other states
Wolf Den Grocery	Groceries	Arthur
Rocky Mountain Sugar Growers Cooperative	Sugar	Western Nebraska
KAAPA	Grains	Kearney
Preferred Popcorn	Popcorn	Chapman
Heartland Natural Fibers Cooperative	Animal fibers	Arlington
North American Elk	Elk	Statewide
Plains Produce Co-Generation Greenhouse	Hydroponic vegetables	Minden
High Plains Grass Seed Assn.	Grass seeds	Alliance
GROW	Nebraska Value-added enterprise	Statewide
Valley Vegetable	Sweet corn	Kansas and Nebraska
Nebraska Sun Oil Cooperative	Sunflower crushing	Kimball
Nebraska Corn-Fed Beef	Corn-fed beef	Statewide
Farmers Premium Produce		



# Feasibility studies

- **How do they differ?**
- **What roles do they play?**
- **What common information is shared?**

## Feasibility Study

- Conducted during deliberation phase of the project development cycle—done prior to completing the business plan.
- An analytical tool prepared by an outsider not associated with the project.
- A very complete effort that includes several sensitivity analyses to aid decision-makers in determining the merit and profitability of an idea.
- Feasibility is very project specific—or should be.
- What should be included when determining the feasibility of an idea?
- Divided into two major phases
  - Directly influencing factors
  - Environmental conditions
- Directly Influencing Factors
- Market Determination—determines potential market for the proposed product

## Market Determination

- *Consumption*
  - Analyzes consumption trends for the product and competing products and determines form, quality and volume requirements.
- *Markets*
  - Determines type, location and cost of serving potential markets.
- *Distribution System*
  - Determines type, method and cost distribution system for the proposed product.
- *Market Entry-Barriers*
  - Determines method and cost of introducing the product to users of the product.
- *Buyers*
  - Determines type of buyers and requirements and costs of selling to these buyers.
- *Selling Arrangement*
  - Determines the type of selling arrangements, including delivery, pricing arrangements and payment schedules.
- *Prices*
  - Projects expected prices and consequently return for the product.
- *Raw Product Supply*
  - Determines the economic availability of the raw product. Includes minimum economic size, plant requirements, availability of requirements, and a reliable supply.
  - Minimum economic size of controlling unit: includes cost analysis of existing plants or synthesized models, important in determine the size of proposed plant.
  - Plant requirements: determines the quantity of raw product needed to economically run and support the plant.
  - Availability of requirements: determines if the required quantity of raw product is available, and is of the quality that is suitable and at an acceptable price.
  - Constant supply of requirements: determines if the required raw product supply can be expected in the future.

- *Production Process*
  - Production Process
 

Determines facility needs, capital and financing requirements, potential costs and returns.
  - Facility needs
 

Determines the specific facility requirements such as: buildings, equipment and rolling stock.
  - Investment capital needs
 

Determines the initial investment requirement needed.
  - Labor needs
 

Determines the specific quantity and types of labor required by the facility.
  - Cost of operation
 

Develops cost budgets to include labor, management, raw materials and operational and fixed components.
  - Profitability
 

Determines potential profit by estimating returns and cost. Should also include breakeven analysis, may include balance sheets and cash flow projections.
- *Go No Go*
- Develop a Step Procedure so that as a Feasibility Study is Being Developed You Can Stop the Process if Something Tells You the Project Will Not Work. For example—not enough finance, not enough access to enough raw material; like shrimp, fish, organic chicken and so on.
- How do we know what questions to ask?
- What things should we watch for?
- *The Check List Series*
  1. Production risk
  2. Industry risk
  3. Market risk
  4. Market research
  5. Other market risk factors
  6. Legal/regulatory risk
  7. Financial risk
- Remember many of these are also needed in a business plan.
- *Production Risk*
  - Has the product/service been completely configured or designed?
  - Has the company decided on the range of products/services to be offered?
  - Has the product been successfully made a) in prototype, b) in small quantities, c) in large-scale production quantities?
  - If perishable, what is the shelf life of the product? What are its special storage requirements in the production facility and at the point of sale?
  - Are raw materials/components reliably available in quantities needed, form desired, at a reasonable cost, on reasonable financial terms (e.g. trade credit) and within a reasonable lead time?
  - What agreements can be made with suppliers to ensure a predictable supply and quality of needed items at a controllable cost?
  - Make-or-buy considerations? (internal sourcing vs. external)
  - What capital equipment is needed?
  - How is the company's production capacity configured?
  - What kind of space does the company need to operate successfully? What access considerations must be addressed?

- How many workers are needed to produce the product, what skills do they need, and how available are such workers in the labor market? What will you need to pay them?
- *Industry Risk*
  - What is the nature of the industry?
  - What effect has globalization had on the industry?
  - At what stage of the life-cycle is this industry—early, peak, mature?
  - What external factors are affecting the industry?
  - What are the barriers to entry in this industry?
  - What is the overall labor market situation for this industry? (unionized/nonunion, domestic vs. immigrant labor pool, etc.)
- *Market Risk*
  - How big is the overall market for this type of product/service?
  - Is it a mass market or a specialized niche market?
  - Target customers:
    - Age, gender, ethnicity, education level, social status
  - Residence
    - Urban, rural, suburban
  - Attitudes, values, opinions
  - Special interests
  - What clusters or segments do they fall into? (e.g. “yuppies”)
  - Is the market for this product growing or declining in numbers?
  - In the household, is the focus of decision changing?
  - How do customers for this type of product/service make buying decisions?
  - What are the influences on their buying decisions?
  - What benefits are they seeking?
  - Alternatives of target customers
    - Products and services that satisfy the same consumer needs
  - Why consumers would choose company’s products/services rather than competitors’?
- *Market Research*
  - Literature review, competitor analysis
  - Trade publications, other media
  - Executive interviews
  - Group depth interviews (focus groups)
  - Surveys (mail, phone, intercept)
  - Direct observation (foot/auto traffic counts, etc.)
  - Marketing channels: how will product/service get from producer to consumer?
  - What are the right points of sale for these products/services?
  - Pricing: what will the market bear for these products/services?
  - Promotion
- *Legal/Regulatory Risk*
  - What legal permissions will be needed to operate the business?
  - What problems might arise in the process of obtaining them?
  - Local planning and zoning

- Building permits
- Occupancy permits
- Licenses
- Environmental impact statements
- State development controls
- State regulatory agencies
- Federal regulatory requirements (air quality, water quality, endangered)
- Intellectual property: opportunities and threats
- *Financial Risk*
  - Will company be able to secure needed funds and pay them back?
  - What is typical financial performance for companies in this industry?
  - What is the appropriate capital structure for this organization?
  - Based on estimated startup costs and expected capital structure, when and at what sales volume can the venture be expected to break even?
  - How much cash will be needed to get to the breakeven point, and where will it come from? (Permanent working capital)
- *Business Plan*
  - The plan reflects the intended responses to the critical issues identified in the feasibility study
  - It is generally developed internally by the main parties involved vs. the feasibility study
  - The plan will focus on the most profitable situation created by the feasibility study. By the time the business plan is started the focus of the best opportunity has been set.
  - It is a blueprint for project management
- *Environmental Concerns*
  - Availability of Site
    - Determines adequacy of site in physical, ecological, and economic terms.
  - Availability of Services
    - Determines adequacy and cost of required services such as utilities, financial services, and educational services
  - Government structure
    - Determines type of governmental policies in the area as affect such things as taxes and zoning ordinances
  - Transport facilities
    - Determines adequacy and cost of transportation to be used by the firm.

*The author wishes to thank Sam Cordes, Jo Lowe, Jim Crandall and John Allen for their assistance in writing this article.*

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# Switchgrass— a biomass energy crop for the great plains?

by Richard K. Perrin, Kenneth P. Vogel, and Marty R. Schmer

**S**witchgrass once grew over most of the eastern portion of the Great Plains, but it had nearly disappeared by the time the Conservation Reserve Program and other conservation efforts created new interest in it during the 1980s. Now it has been identified by the Department of Energy (DOE) as one of several potential biomass energy sources. Little is known about production costs, however, because it has not been grown as a commercial crop. To examine this question, and to identify successful management techniques, we have contracted with 11 producers to grow the crop under commercial conditions. The cooperators' fields range from 15 to 23

acres each, scattered from southern Nebraska to northern North Dakota (*Figure 1*). The Nebraska sites were established in 2000, the Dakota sites in 2001. Here we report some of what we learned during the first three years of the six-year project.

## **What's a biomass energy crop, and what is it worth?**

Biomass such as grasses, cornstalks, trees, etc., can be converted into energy in a number of ways, most of which are still somewhat experimental. Direct burning of switchgrass is under experimentation in a coal-fired electricity plant

near Ottumwa, Iowa, with the grass constituting less than 5 percent of the energy. Other technologies at various stages of development involve converting biomass into liquid or gaseous forms, including alcohol that can be used alone or in combination with other fuels in boilers, turbines, or internal combustion engines.

What is this biomass worth as an energy source? We don't really know. Nebraskans who heat their homes with natural gas are paying about \$120 for the amount of energy in a dry ton of switchgrass. But from this number, one must subtract an unknown amount to cover

the costs of transporting switchgrass to a processing plant, the processing costs, and the cost of getting the resulting fuel to the user. On the other hand, coal is delivered in the Midwest for prices in the vicinity of \$20 per ton, and from this price one must deduct transportation costs from farm to plant, about \$5-10/ton. Even though we don't yet know what value switchgrass might have as a



*A cooperator's field near Bristol, S.D., in its establishment year.*

biomass fuel, the DOE and USDA are funding studies such as ours to help find out how to produce switchgrass at minimum cost, and what that cost might be.

**What DOES it cost to produce a ton of switchgrass?**

Because conditions vary across space and time, production costs per ton, including harvest and storage, will also vary. *Figures 2, 3 and 4* depict the range of experience to date on the 11 cooperators' fields. First-year costs per acre ranged from \$40 to \$160, averaging \$75. Only four of the 11 fields produced enough to harvest at the end of the first year, and they averaged only 1.24 tons/acre. The resulting cost per ton on these four fields ranged from \$50 to \$150, not including land costs but including all harvest expenses.

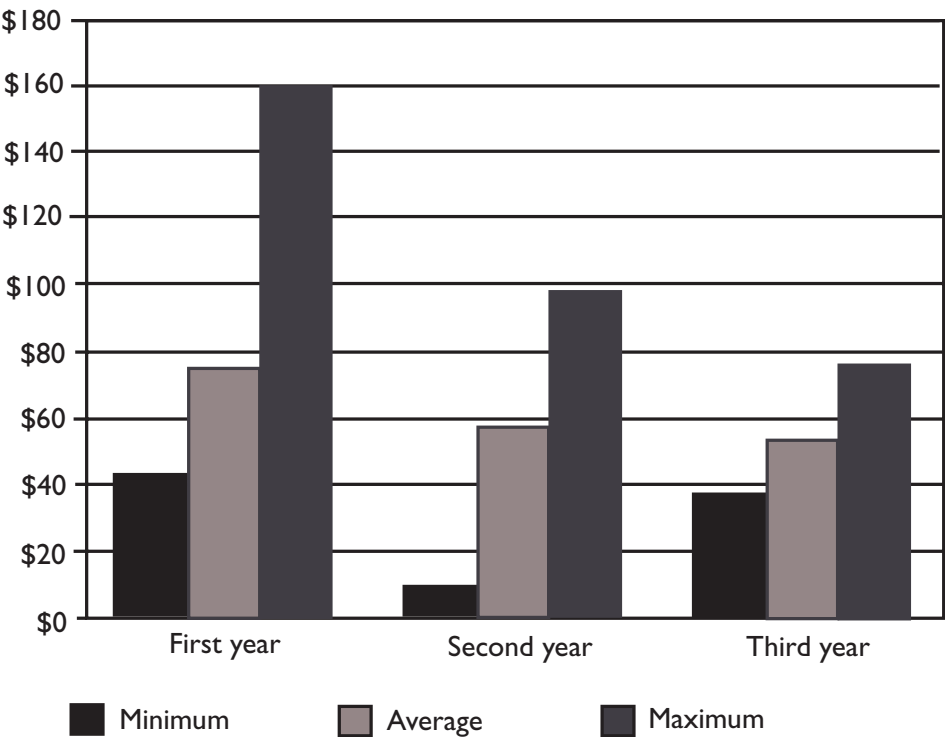
First-year results are not very meaningful for perennial crops, especially for those in which first-year yields are low or nonexistent. One way to consider the cost of production is to cumulate the costs through time and divide that number by the cumulative yield through time, which is what we show in *Figure 4*. As one would expect, the cost per ton declines to levels averaging about \$60/ton once the large establishment costs are attributed to yields that rise in later years. The first-year numbers in *Figure 4* are a bit misleading because they are based only on the four fields with harvests. When yields and costs are pooled across all farms for the first year of the crop, the average yield was 0.45 ton/acre and cost per ton harvested was \$167. Average cumulative cost for the four sites in their third year was about \$60/ton.

What have we learned from these numbers? First, they emphasize the importance of success in the establishment year. The first-year harvest on the best two of these 11 fields was about 2.25 ton/acre, and these yields occurred on the two fields with the highest establishment expenses (\$127 and \$160/acre.) By

**Figure 1. Location of cooperator sites.**



**Figure 2. Cost per acre (excluding land).**



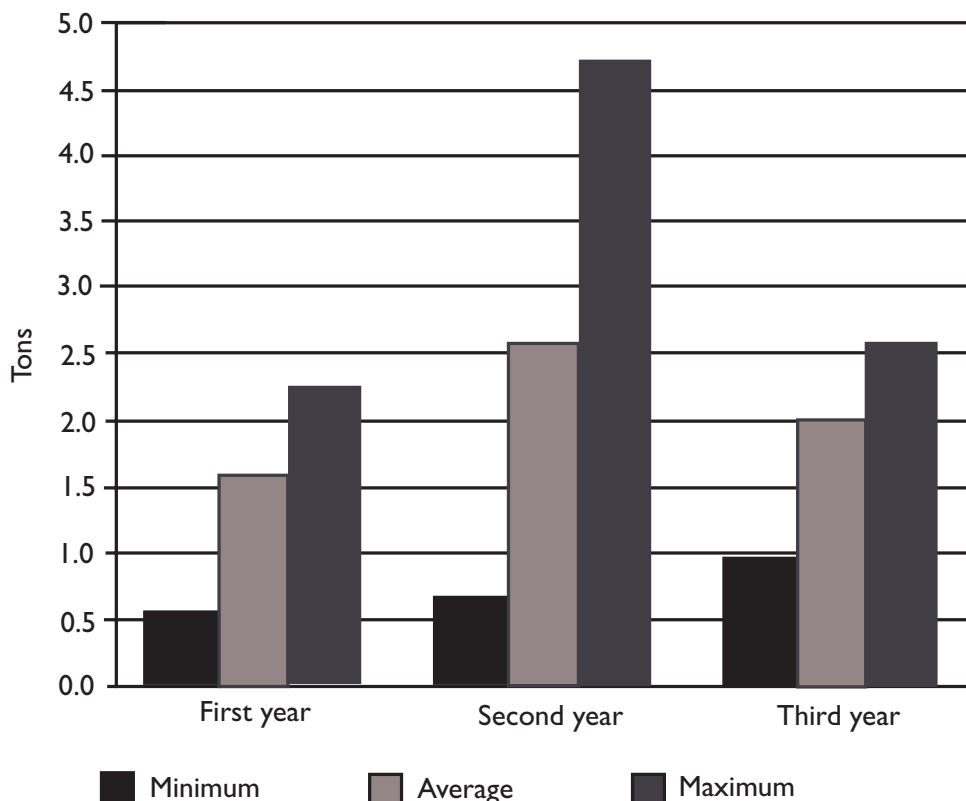
the second year on these two fields, cumulative production cost had fallen to \$31/ton and \$37/ton, the lowest of the 11 sites. It is clearly important to establish good seedbeds and to control weeds in that first year, even though these are expensive operations. Drought plagued many of our establishment efforts, but good management practices made a difference even in those conditions.

Second, we have learned that with good establishment practices and reasonably good weather, yields of 2.5 to 4.5 ton/acre are achievable by the second year of the crop, incurring nonland costs as low as \$30/ton to \$40/ton. Cumulative production cost per ton under these good management conditions may well fall to levels of \$20-\$30/ton. To this must be added land costs that may be as little as \$10/ton for non-tillable land or as much as \$30/ton on marginal row-crop land.

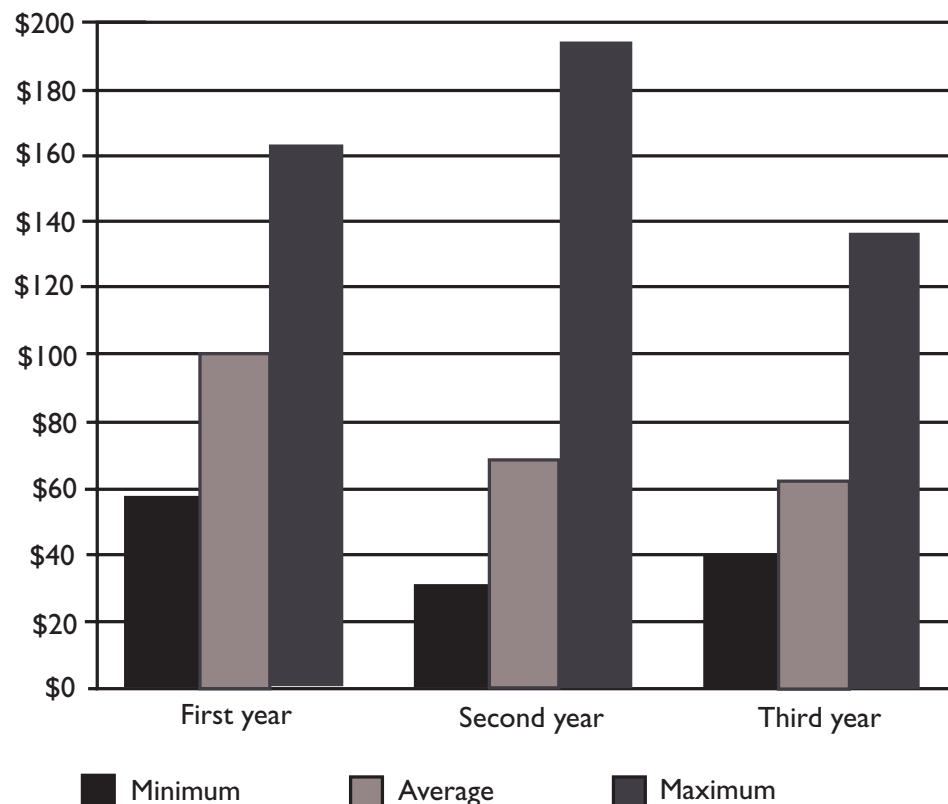
We believe that long-run total production costs of \$30/ton will be achievable by Great Plains producers with good establishment techniques and land that is of marginal value for row-crops. As we learn more about cost-effective establishment practices, perhaps many producers will be able to achieve this level of production cost efficiency. For biomass energy markets, transportation costs from farm to processing plants are likely to add another \$10/ton for the average producer. As of today, it does not appear that any energy user is prepared to pay this much for switchgrass as biomass. The potential for switchgrass as a competitive alternative for Nebraska farmers thus depends on the success of the experimental technologies for biomass-to-energy conversion, and it will be a few more years before we know the outcome of those efforts.

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**Figure 3. Yield per acre.**



**Figure 4. Cumulative cost per ton (excluding land).**



# *Market Journal* presents

## analysis of agricultural markets and risk management strategies

by H. Douglas Jose

**I**ncreasingly, farmers and ranchers face the dilemma of information overload. The key is to select the relevant information, process it in a timely manner and apply it to the decision being made. At the same time, business risks such as global markets and weather variability make the impacts of each decision more critical. University of Nebraska Cooperative Extension offers a program called *Market Journal* to provide producers with the current market analysis and the latest information on risk management strategies.

The program is broadcast weekly via the Internet and a satellite television network. The program is hosted by Doug Jose, Extension Farm Management Specialist in the Agricultural Economics Department and produced by Jim Randall, Extension Communications Specialist, Communications and Information Technology, IANR.

The program is webcast each Friday at noon (central time) at: <http://marketjournal.unl.edu> and is telecast each Friday at the

same time on the Dish Network's University House Channel, NAUHS, channel 9411. It is also available for viewing at participating Cooperative Extension offices at the same times. The Dish Network broadcasts began on January 10, 2003.

Regular monthly contributors from the Agricultural Economics Department include Al Prosch of Pork Central with an

analysis of the hog markets, Lynn Lutgen on wheat markets and Roy Frederick on agricultural policy and farm programs. Al Dutcher, IANR agricultural climatologist does an analysis of weather and moisture conditions each week. Other monthly contributors are Mike Briggs, a cattle feeder at Seward, Neb., with an analysis of the cattle markets and Roy Smith, farmer at Plattsmouth, Neb., with an analysis of the corn and soybean markets.



*On location filming "Market Journal," with Harry Knobbe, West Point, Nebraska.*



On the second Friday each month, the program focuses on grain markets and strategic production, marketing and financial decisions related to crops. The focus on the fourth Friday is on livestock markets and strategies. On the first, third and fifth (if it occurs) Fridays, IANR faculty present summaries of their research and educational programs.

In September 2002, *Market Journal* took its stage to Husker Harvest Days in Grand Island, Neb., where 20 extension specialists, extension educators and teaching faculty made presentations to a live audience and webcast their presentations on the Internet. During the three-day event there were 5,000 hits per day on the *Market Journal*-Husker Harvest Days Web site.

Traditional delivery methods such as seminars, workshops and conferences are often both time consuming and costly due to the travel that is required by educators to have contact with producers. The amount of information that can be transmitted is often limited by the amount of time producers are able to commit to these activities. The presentation time also may not be convenient for producers. Emerging electronic technology allows these constraints to be bypassed. Electronic transmission eliminates the travel costs.

The delivery methods also allow very timely communication of information. A video production unit can gather,

***In September 2002, Market Journal took its stage to Husker Harvest Days in Grand Island where 20 extension specialists, extension educators and teaching faculty made presentations to a live audience and webcast their presentations on the Internet.***

assemble and distribute information rapidly. This is particularly pertinent when legislation is pending or is passed, regulations are changed or new research findings are time sensitive. The format also allows presenting various viewpoints of the same issue and addressing topics that probably will not be covered by commercial media.

The use of the Internet allows producers to access the information whenever it is convenient, eliminates the need to leave home, and allows all members of the family or business to participate. Plus it affords them the opportunity to select the amount of time they devote to the learning process at each session. A recent survey conducted by Jose and Randall in 2001 found 76.5 percent of the farms and ranches with

more than 1,000 acres of crop land and/or more than 1,000 head of livestock were connected to the Internet. The hits per day to the *Market Journal* Web site increased from 725 per day in December 2001 to nearly 2,000 per day at the end of 2002.

The satellite network television holds many of the same convenience factors for producers as the Internet and broadens the potential audience. The University House Channel estimates there are 100,000 Dish Network subscribers in Nebraska.

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# Off-farm employment and income in Nebraska

by Ram Valluru, H. Douglas Jose, and Dennis M. Conley

## Importance of Off-Farm Employment

There are many aspects to structural change in agriculture. The increase in the consolidation of small and marginal farms is of great concern, especially in states like Nebraska. Between 1974 and 1997, the average farm size in Nebraska grew from 683 acres to 885 acres. Farms in the range of 180 to 499 acres declined by 12 percent.

The decline in small and marginal farms<sup>1</sup> might be because they are no longer commercially viable. Even among marginal farms that are barely able to ride the ups and downs in prices, there are very few that derive all of their income from farm sources alone. To keep small and marginal farms from disappearing, and to keep these businesses sustainable, a supplemental source of income such as off-farm employment is needed.

There is ample literature (Simpson and Kapitany, 1983; Otter, 1992) demonstrating that off-farm incomes enhance farm sustainability. This is done by:

- Filling the income-expense gap.
- Increasing cash flow.
- Building equity in the farm operation.

- Serving as a risk management and diversification measure.

- Providing fringe benefits like health and life insurance.

- Getting a tax shelter from the farming enterprise.

Off-farm income in the U.S. has become so prevalent in farming communities that in 1994 75 percent of farm households (either operator or spouse) had an off-farm job (Korb, 1999). In this context it is essential to understand the determinants of off-farm income in Nebraska. There have been various national and international studies about off-farm employment and income. However, the results from a national model might not be applicable to Nebraska because of the distinct farming and demographic features in Nebraska. Some comparisons, using the 1997 Census of Agriculture data, are:

- Nebraska's average acreage is double that of the U.S. (885 vs. 487 acres).
- Nebraska has fewer full-time farmers, compared to that of the U.S. (43 percent vs. 60 percent).
- Number of farms of over 500 acres is significantly different (42 percent in Nebraska vs. 18 percent in the U.S.).

- Number of farms in the sales class "Less than \$50,000" is significantly different (49 percent in Nebraska vs. 73 percent in the U.S.).

- Only 6 of the 93 counties in Nebraska are classified as metropolitan<sup>2</sup> counties. Out of the 87 nonmetropolitan counties, 70 are farming dependent. In the U.S., there are 3,141 counties of which 836 are classified as metropolitan counties and 2,305 (556 of which are farming dependent counties) are classified as nonmetropolitan.

## Procedures

Because of the unique structural characteristics in Nebraska, a separate study was initiated with two objectives:

- Review and compare the changes in composition and structure of off-farm employment in 1970s vs. 1990s in Nebraska.
- Investigate the affect of farm characteristics, household characteristics, and local labor market conditions on off-farm income in Nebraska in the mid-1990s.

Census of Agriculture data for 1974 and 1997 was used to study the first objective. For the second objective, data from primary and secondary sources were used. The primary data consisted of a stratified random sample of 350 farm households in Nebraska that came from the Nebraska Agricultural Finance Survey conducted in 1994. The secondary sources included data from the Bureau of Economic Analysis (BEA) and U.S. Census data.

The theoretical model for studying the second objective was derived from the

<sup>1</sup>United States Department of Agriculture-National Commission on Small Farms defines small farms as "farms with less than \$250,000 gross receipts annually on which day-to-day labor and management are provided by the farmer and/or the farm family that owns the production or owns, or leases, the productive assets."

<sup>2</sup>Metropolitan and nonmetropolitan areas are defined by the Office of Management and Budget. Metropolitan areas contain (1) core counties with one or more central cities of at least 50,000 residents or with a Census Bureau-defined urbanized area (and a total metro area population of 100,000 or more), and (2) fringe counties that are economically tied to the core counties. Nonmetropolitan counties are outside the boundaries of metro areas and have no cities with as many as 50,000 residents.

neo-classical labor supply theory using a household's utility maximizing approach subject to time and budget constraints. The model assumed that labor supply decisions are made in a way that maximizes the household's utility by optimally allocating the total farm household's time among farm work, off-farm work and leisure such that the marginal value product from the three activities are equal (Robinson *et al.*, 1982).

Review of relevant literature suggested the major determinants of off-farm labor supply and income falls into three distinct categories. They are: farm characteristics, household characteristics, and labor market conditions. A Tobit Maximum Likelihood model was used to study the influence of variables representing the above three determinants of off-farm income.<sup>3</sup>

## Changes in Off-farm Employment

Between 1974 and 1997 the number of operators working off-farm in Nebraska increased by 15 percent. Increased participation in off-farm employment was seen across all age classes, up to the age class of 55-64 years. Although there was a marked increase in off-farm employment between the 1970s and 1990s across all farm sizes, the greatest increase was observed in farms with sizes between 100 and 500 acres. This implies that dependency on off-farm income is the greatest in the small and marginal farm households.

Off-farm wages and salaries formed an important component of income for farm households in Nebraska. The average off-farm wage income in the sample was \$12,050. This was 30 percent of the average farm household's income of \$40,600. This compared to the national average of 46 percent (USDA Farm Costs

and Returns Survey, 1994). Eighty-two percent of the households in the sample reported some off-farm wage income, which was slightly higher than the national average of 75 percent.

## Factors Affecting Off-farm Employment

This study viewed off-farm employment as a means of efficient resource allocation. This was in response to the structural aspects on the farm in conjunction with the personal situation of the household members. The general impact of household characteristics, farm characteristics, and labor market conditions found in this study confirms the results of previous studies.

The analysis showed that operator's education, farming experience, farm size, and organizational type of the farm influenced off-farm income in Nebraska.

A one-year increase in education increased off-farm income by \$644. A one-year increase in a spouse's education increased income by \$558.

An increase in the operator's farming experience by one year explained a decrease of off-farm income of \$300.

The larger the farm, the less the off-farm income. On the margin, a one acre increase explained a \$7 drop in off-farm income.

Farms organized as partnerships had \$6,867 less in off-farm income compared to a sole proprietorship. The average farm size of a partnership was 1,294 acres, and a sole proprietorship was 1,020 acres.

## Conclusions

Given the limitations<sup>4</sup> in translating the theoretical model to an empirical one, the general conclusions are:

- The changing structure of agriculture has caused increased reliance on off-farm employment, especially for farms of less than 1,000 acres.

- Labor market conditions like total jobs in the county, proportion of jobs in various sectors<sup>5</sup>, and commuting patterns did not significantly influence off-farm income.

- Additional education of an operator and spouse was significant in explaining an increase in off-farm income. More farming experience explained a decrease.

- Farm size and organization structure significantly affected off-farm income.

- Policy should be geared not to just increase off-farm employment, but to capitalize on the synergy between farming and off-farm employment. For example, the Beginning Farmer Tax Credit Act, LB-630 requires that the beginning farmer be actively involved in farming and contribute significantly to the day-to-day labor and management. Such a policy guideline might be very limiting to a farmer who wants to get established in farming because it means reduced off-farm income.

*For more information, e-mail Doug Jose, [hjose1@unl.edu](mailto:hjose1@unl.edu).*

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<sup>3</sup>The left censored nature of the off-farm income data is handled by using Tobit Maximum Likelihood estimation procedure.

<sup>4</sup>An effort has been made to overcome the limitations of the study by performing sensitivity analysis when deemed necessary.

<sup>5</sup>A truncated version of the model showed that jobs in service sector as a significant driver of off-farm income.

# MBA in

# agribusiness

by Dennis M. Conley

**T**he Agribusiness Program started in 1984 based on the need for interdisciplinary education in agriculture and business. Senior officials and faculty at UNL, along with encouragement and financial support from ConAgra, led the College of Agricultural Sciences and Natural Resources and the College of Business Administration (CBA) to establish the program. It is the collaborative efforts of both colleges that produces the hybrid strength of the program. In 1997, the program was designated by the Chancellor as an Area of Excellence at UNL.

In 1996, a Master's of Business Administration degree with a specialization in Agribusiness (MBA/AB) evolved from the two separate master's level programs offered by the respective Colleges of Agriculture and Business. An agribusiness graduate faculty was formed to administer the degree, and graduate students enroll in the Graduate College with both the Department of Agricultural Economics and CBA responsible for the students.

## Graduate Students and Projects

The MBA/AB currently has 15 students enrolled who come from a number of states and foreign countries. Most students have work experience and decide to seek the advanced degree to acquire more education and enhance their career opportunities.

Graduate assistantships are available to qualified students, and include a 10-month stipend, tuition remission, and

health benefits. Awards are made annually, and require students to work 20 hours each week on assigned projects. A limited number of University-wide fellowships are also available.

Students on assistantship work on co-curricula projects giving them experiences to complement their classroom education. Projects are done with major commodity organizations, food marketing firms, financial institutions, state agencies, and academic researchers working on their own projects.

Projects include:

- Adoption of e-commerce by farm retailers in Nebraska
- Strategic planning for an internet-based garden company
- Transportation modeling of corn movements in the U.S. and abroad
- Risk management screening and education for pork producers
- A survey of Nebraska century farmers
- e - Community
- Development of economic measuring tools for Nebraska dairies
- Governor's Trade Mission

## Governor's Trade Mission

One example of project activity is the Governor's Trade Mission. For each of the past three years an agribusiness student participated. One mission was to China and Hong Kong; a second to Taiwan, Malaysia, South Korea and Singapore; and the most recent one was to Chile and Brazil. The delegations included leaders from commodity boards and associations, agribusiness representatives, manufacturers, state officials, and past trade mission participants. Prior to each trip, the agribusiness student compiled an analysis of the countries highlighting social, political, geographic, and business factors that affect trade. The analysis was distributed to trade mission participants prior to departure.

During the Governor's Trade Mission the students documented events



*MBA/Agribusiness student Brett Stuart on the Governor's Trade Mission in Malaysia.*





*Lucia Bond, MBA/Agribusiness student, shakes hands with John Owens, NU Vice President and Harlan Vice Chancellor, IANR, at an industry dinner.*

Association Symposium, Sydney, Australia. 2001.

*Chris Luchs,*  
“When Great Minds Don’t Think Alike.”  
Kauffman-Angell Center for Entrepreneurship, 2002 Case Competition, held at Wake Forest University.  
Received First Place in Social Entrepreneurship Track.

## SAMBA

The Student Agribusiness MBA (SAMBA) association was established in January 2001 and is a recognized student organization on the UNL campus. The purpose is “to foster lasting relationships and networking opportunities among students and agricultural industry leaders in both social and professional environments.”

Students regularly meet and engage in professional development activities such as technology roundtables and industry tours. Fund raising activities

and meetings for a followup report presented to the Nebraska Department of Agriculture and the governor’s office.

## Professional Presentations

In addition to projects, a number of students made presentations at professional meetings based on research and developmental work associated with the projects. The following is a sample of those presentations with the student name in italics.

Dwayne Ball and *Pam Edwards*, “Promotions for Stages in Dietary Habits: Connections with the Elaboration Likelihood Model,” Social Marketing in Public Health Conference, American Marketing Association, University of South Florida. 1999.

*Dustin Clevenger* and Dennis Conley, “Adoption of E-Business in Nebraska Retail Agriculture,” selected paper, International Food and Agribusiness

center around campus events such as football games and festivals. Social events include bowling, golf and industry dinners.

## Job Opportunities

Recent graduates work for grain marketing and transportation companies, a worldwide seed company, a large farm business enterprise, an environmental instruments company, a communications and advertising agency, and one is working on a public sector project helping an ethnic minority group.

UNL is one of a few universities offering a joint degree program at the master’s level with a specialization in agribusiness. Students entering the program mention the explicit collaborative nature of the program as a reason for choosing Nebraska. The program directors are optimistic about continued student interest, and especially about the opportunities for these students to make useful contributions to the research and information needs of the agribusiness sector in Nebraska and beyond.

For more information on the program, please see the Web site at <http://www.mbaa.unl.edu>.

*For more information, e-mail Dennis Conley, [dconley1@unl.edu](mailto:dconley1@unl.edu).*



*SAMBA members on a field trip to Con Agra Foods in Omaha.*

# Focus on research

## Urbanization of Farmland

Urbanization of farmland has become a concern around metropolitan areas, with Omaha, Neb., being no exception. Owners of farmland and operators of farms in Saunders County west of Omaha were asked in a mail survey if they would support an organization to purchase development rights from farmland, thus ensuring that at least some would stay in agriculture. Around 25 percent supported such an organization. For those who gave a number response, the average they were willing to pay was \$51 per year, which would generate \$279,000 each year when extrapolated to all households. Perhaps the most intriguing scientific finding, however, was that those who balance their interests toward the community were more likely to support such an organization and were willing to pay more to support it. This suggests we can no longer presume that all economic actions relative to the urbanization of farmland are strictly in the self-interest.

*For more information, e-mail Gary Lynne, [glynne1@unl.edu](mailto:glynne1@unl.edu), or Christopher Gustafson, [cgustaf2@bigred.unl.edu](mailto:cgustaf2@bigred.unl.edu).*

## Patent Breadth and Genetically Modified Products

My current research focuses on two areas: the study of the role of patent breadth on the efficiency of patent protection and the effect of labeling of genetically modified (GM) products on the adoption of the new technology and the welfare of the interest groups involved (i.e., consumers, producers and life science companies). The research on patent breadth focuses on the development of a theoretical framework of analysis of the privately optimal patent breadth for both product and process innovations. The research seeks to identify the factors that influence the innovating firm patent breadth decision and analyzes how this decision affects the patentee's ability to capture innovation rents, the rival firm's incentive to invest in research and development (R&D), the probability of succeeding in the R&D process, and the timing that success is realized by competitors (i.e., the pace of future innovations). An empirical model will be developed to test the validity of the theoretical findings and will be used to study the efficiency of patent protection in the agricultural biotechnology sector. My research work on labeling of GM products looks into the effect of the new standards of the National Organic Program and the different labeling regimes for products of biotechnology on the market for conventional, organic, and GM products.

*For more information, e-mail Amalia (Emie) Yiannaka, [yiannaka2@unl.edu](mailto:yiannaka2@unl.edu).*



## Basis Variability Research

Knowledge of basis level and basis variability is important to hedgers. An increase in basis variability increases the risk that remains with a hedger. The failed CME stocker contract never attracted enough volume to remain a viable contract. One possible explanation for this contract failure is that the basis risk associated with it was large enough to discourage producers from using the contract to hedge calves. Basis variability was compared in 10 different markets for 550-pound steers and for 750-pound steers using the CME stocker and feeder futures. We found in all 10 markets that basis variability for the 550-pound stocker steers was significantly greater than basis variability for 750-pound feeder steers. We also found that as the volume in a market decreased and as the variability of volume in a market increased, there was an increase in basis variability. An increase in the general price level for steer calves and an increase in the variability of weight of calves also contributed to an increase in basis variability.

Dillon Feuz and Sebastian Perversi

*For more information, e-mail Dillon Feuz, [dfeuz1@unl.edu](mailto:dfeuz1@unl.edu).*

### **Willingness to Pay for Flavor Preferences in Beef Steaks**

Consumers in Chicago and Denver participated in a study to determine taste preferences for different flavor attributes of beef steaks and to determine if they were willing to pay for their preferences. Preliminary results indicate a significant flavor preference for U.S. versus Australian beef, U.S. versus Canadian beef, and wet aged versus dry aged beef. The consumers also bid on the steaks in a random  $n$ th price experimental auction. On average the bids were consistent with their taste preference. For each steak pair, the steak with the higher overall like rating had a higher average bid price. Consumers are willing to pay for their taste preferences. In a visual evaluation, consumers in the experiment also expressed a strong willingness-to-pay for a steak with a U.S. born and raised label compared to a non-country of origin labeled steak.

Dillon M. Feuz, Chris R. Calkins, Wendy J. Umberger,  
Bethany Sitz and Sebastian Perversi

*For more information, e-mail Dillon Feuz, [dfeuz1@unl.edu](mailto:dfeuz1@unl.edu).*

### **Institutions and Agricultural Productivity in Sub-Sahara Africa**

This research project examines agricultural productivity growth in 41 Sub-Saharan Africa countries between 1960 and 2000. Productivity growth is important in general because it is the main source of long-run improvement in society's well-being. In particular, agricultural productivity is important in developing countries because a large part of their income is derived from this sector. Sub-Saharan Africa (SSA) also constitutes the largest population block of potential customers for temperate agricultural products, those exported by the United States. Their imports will depend on their income growth that is tied to their agricultural performance.

Our earlier studies have indicated the presence of technological regress in some

of these countries, while official estimates by the Food and Agriculture Organization of the United Nations are in conflict with ours but are based in inputs shares for India and Brazil. We have estimated agricultural productivity and its components, technical change and efficiency change, based on data for SSA countries. We use three alternative estimation techniques and we emphasize the role of political conditions (years since independence and type of government), socio-economic factors (wars, violence, quality of inputs, droughts), and historical institutions (colonial history) in understanding the differential performance of these countries.

The main results from the three methods are consistent: 1) average agricultural productivity decreased in the 1960s and 1970s but appears to have recovered in the last two decades; 2) productivity gains have been far from uniform across the region; 3) political and social factors are important in explaining agricultural performance in Sub-Saharan Africa; 4) previous colonial history has affected agricultural productivity growth after independence; and 5) natural conditions, such as drought, have had significant impacts on African agricultural productivity.

Bingxin Yu and Richard Perrin

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# Focus on outreach

## Pork Producers Improve Ability to Compete

Improving your ability to compete in the pork industry is a challenging task. Often, the competitive advantage being used today by successful producers is management related, not production related.

*Improving Your Ability to Compete in the Pork Industry* is a five-seminar program that will improve pork producer management skills. In the first seminar we go back to basics and look at benchmarks in production. The best management and marketing will not overcome a production problem. In the second seminar we will look at marketing basics and the use of contracts. The types of market contracts and using price risk management tools with and without a contract will be reviewed.

The third seminar moves the producer from live hog to the meat counter. The series of related topics shows how the consumer pork product is created.

Fourth is marketing and managing the pork producer product to increase the value as the base component for the consumer product. Producers will learn to create the supply their customer desires.

Fifth, with many relationships to manage and both production and non-production business issues, producers need tools to help them make sound decisions. Alternative methods of acquiring management information and having a decision support team will be developed.

*For more information on the improving Your Ability to Compete in the Pork Industry seminars, please e-mail Al Prosch, aprosch1@unl.edu or call 1-800-767-5287.*

## Community Planning is Key to Development

Planning is an important aspect of community development. In the Nebraska Panhandle, Dr. Cheryl Burkhart-Kriesel, Community and Economic Development Specialist and Agriculture Community Resource Economics faculty member, has been working with volunteer groups to help them target needs and identify workable strategies to improve their community's quality of life.

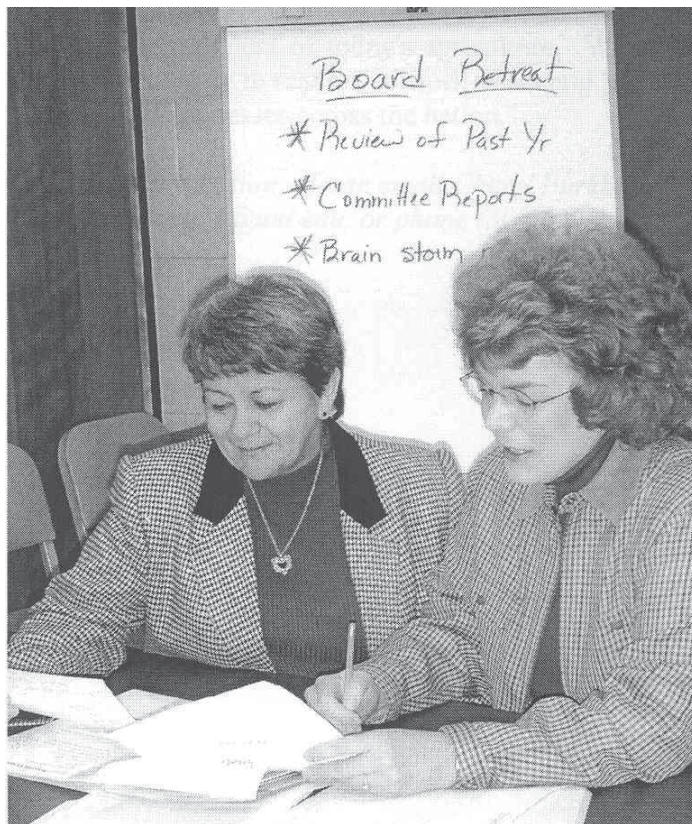
Working with selected Chamber of Commerce boards and city government groups, Dr. Burkhart-Kriesel has assisted groups in taking an inventory of past successes, identifying issues impacting the area in the future, and developing a working short-term plan to meet expectations.

*For more information, e-mail Cheryl Burkhart-Kriesel, cburkhartkriesel1@unl.edu, or phone (308) 632-1234.*

## Customer Service Isn't Automatic

It is not uncommon for today's farmer or rancher to be affiliated with at least one seed or feed dealership or short-line farm equipment company. "Farmers have been selling seed and farm supplies to each other since the very beginning," according to Dr. Cheryl Burkhart-Kriesel, Extension Community and Economic Development Specialist. Today, with agriculture's larger scale and increased customer demands, local farm and ranch dealers may need to look at their customer service tactics in a different way.

One seed dealership, *Mycogen*, realized the need for more dealer information in this area and initiated an online dealer newsletter this fall. "They were looking for a way to provide their dealer network with current information in a convenient format and asked if I would like to contribute an article on customer service. Having been involved in an agribusiness, I have some practical ideas of what it takes to work with customers and also know what the research in the field says," said Burkhart-Kriesel.



*Dr. Cheryl Burkhart-Kriesel and Karen Anderson, Scottsbluff/Gering United Chamber Director, develop an outline for an upcoming Board planning retreat and new members orientation.*



It probably is not surprising that according to research, customers want businesses that are reliable, credible, attractive as a business from the customer's perspective, responsive and empathic. According to Burkhart-Kriesel, "The challenge is that these needs take on new meaning in the computer savvy, 24/7 business environment of today's agriculture. Working with the newsletter gave me an opportunity to reach a network of several hundred Nebraska dealers as well as other agribusinesses across the nation."

*For more information, e-mail Cheryl Burkhart-Kriesel, [cburkhartkriesel1@unl.edu](mailto:cburkhartkriesel1@unl.edu), or phone (308) 632-1234.*

### **Winning the Game: Profitable Strategies for Marketing Grain**

To help farmers recognize opportunities to price grain and manage risk, faculty members Roger Selley and Doug Jose in collaboration with Roy Smith, farmer and market analyst from Plattsmouth, Neb., developed a program called *Winning the Game*. The program was pioneered in Nebraska three years ago. The format was further developed and modified for use in Minnesota by the Center for Farm Financial Management, University of Minnesota. *Winning the Game* is an interactive grain marketing workshop that includes a one-year market simulation game. Actual prices and yields are used in the game to give participants real world practice in marketing their grain. Topics emphasized are seasonal price trends, basis patterns, the use of crop revenue coverage crop insurance in a marketing plan and risk versus returns payoffs in the use of crop insurance and forward pricing of grain. Local sponsors were solicited to host the workshops and make the local arrangements. The sponsors also paid a fee to the university to conduct the workshop. At press time nearly 30 workshops had been conducted across Nebraska during January, February and March 2003. The instructors are Selley, Jose, Smith, Bob Meduna and Terry Hejny, extension educators; and Dave Goeller, farm transition specialist, Agricultural Economics Department. The project development costs are supported by a grant from the Nebraska Soybean Board.

*For more information, e-mail Doug Jose, [hjose1@unl.edu](mailto:hjose1@unl.edu) or phone (402) 472-1749.*

### **EDGE Program Receives National Recognition**

The Nebraska EDGE program received recognition in a publication from the National Governor's Association's Center for Best Practices, called "Innovative State Policy Options to Promote Rural Economic Development." The NGA Center for Best Practices helps governors and their key policy staff develop and implement innovative solutions to challenges facing their states.

The Nebraska EDGE (Enhancing, Developing and Growing Entrepreneurs) is run by the Center for Applied Rural Innovation at the University of Nebraska-Lincoln and sponsored by the Department of Economic Development and the Nebraska Microenterprise Partnership Fund.



This state supported initiative allows rural communities to customize entrepreneurial training courses based on local needs and abilities. Communities interested in hosting a training course must submit a work plan that outlines how the community will sponsor a course. Courses can cost a community about \$9,000 and communities with approved plans receive a \$3,000 grant to support their course. Communities are encouraged to assemble a coalition of small business associations, banks, accounting and legal firms, media, educational institutions, local government, and others interested in supporting entrepreneurship development. A manager is chosen from this coalition to oversee the course locally. The coalition also can select an instructor from its community or choose from a statewide pool of certified instructors.

Since its formation in 1993, more than 76 courses have been taught to 1,500 residents. Aside from providing grants to support Nebraska EDGE, the sponsors help to promote the training courses throughout the state.

*For more information, e-mail Marilyn Schlake, [mschlake@unl.edu](mailto:mschlake@unl.edu).*

# Focus on teaching

## National Agri-Marketing Association

The Department of Agricultural Economics' student chapter of the National Agri-Marketing Association (NAMA) is in its sixth year, following a 1997 revival. The relatively young chapter has enjoyed success on many fronts and is now offered as a formal agricultural economics course.

One objective of the chapter is participation in NAMA's national marketing competition. For three years, UNL's chapter advanced to the semifinal round. This year, students are developing a marketing plan for a hypothetical Nebraska-based vineyard and winery.

NAMA students interact closely with agribusiness marketing professionals from Lincoln and Omaha. This year marks the first year for UNL's *Got Work? Resume and Interview Workshop*. A companion activity, the *Got Work? Employment Discussion Panel*, held in February, allows students to enquire about internship and employment opportunities. Students also attend meetings of the Midlands NAMA Chapter on a regular basis.

For more information, visit NAMA's Web page at <http://agecon.unl.edu/AEAC/nama/> or e-mail Matt Spilker, [mspilker2@unl.edu](mailto:mspilker2@unl.edu).



From left to right, agricultural economics students Rita Brhel, Mike Brhel, Gibson Nene, Nate Panko, Kylee Wagner, Mitch Mathiesen, Jennifer Witt, John Hilgenkamp, Erin Wachter, and Eric Sweeney compete at NAMA's national marketing competition in Nashville, Tenn.

## Learning Beyond The Classroom: Agribusiness Students' Summer Internships

Students in the Department of Agricultural Economics spend the academic year studying agribusiness and economics in the classroom, but for more than 40 percent of them it does not stop there. Many of the department's students are finding that summer internships provide the practical experience that distinguishes them in the job market after graduating from UNL. It is a win-win situation for students and employers. Students have the opportunity to explore various career paths before they seek full-time employment. Employers offering positions to interns after graduation benefit from being able to hire individuals who already have training from their company and who have industry experience.

The summer internships place UNL's students in key positions to enable them to discover what a career would be like in the company. For example, Julie Frey, senior agribusiness and agricultural economics major from Hay Springs, Neb., interned with Wells Fargo Bank in Lincoln during the summer and fall of 2002. Julie's responsibilities included designing and maintaining a collateral monitoring system, assisting with collateral audits, and updating loan proposals.

Lisa Hofmann, a junior agribusiness major from Sutton, Neb., was an intern for Archer Daniels Midland Company. Lisa spent the summer merchandising soybeans and soybean meal in Lincoln. "I was able to apply what I learned in my Agricultural Economics classes to this job and it provided me with an experience I can use toward obtaining a job following graduation." Lisa has also chosen to expand on her internship by doing research on soybean processing margin risk with her advisor, Darrell Mark, in the agricultural economics department.

Internships gained by UNL's agribusiness students offer many exciting opportunities, both in Nebraska and throughout the country. Jerad Hutchens, a junior from Lincoln, worked as a production intern for Syngenta in Aurora, Neb. Justin Peterson, a senior from Burlington, Colo., interned with JPMorganChase's Investment Services Division in New York City. Wherever they go for internships, UNL's agribusiness students become known for their talent, hard work, and quality education.

For more information, e-mail Jessica McKillip, [jmckillip2@unl.edu](mailto:jmckillip2@unl.edu), or phone (402) 472-5234; or e-mail Ron Hanson, [rhanson1@unl.edu](mailto:rhanson1@unl.edu), or phone (402) 472-2055.



## **Economics of Specialty Grain Production: An Interdisciplinary Approach**

The increased emphasis on producing and marketing grain for specific end uses has been increasing rapidly in the last few years. As a result, producers and agribusinesses need a comprehensive understanding of the science, engineering, and economics of specialty grain production and marketing. To meet this need, UNL faculty in the Departments of Agronomy, Animal Science, Food Science and Technology, Biological Systems Engineering, and Agricultural Economics have teamed up to offer a special interdisciplinary course in specialty grain production and utilization.

The course is organized into three one-credit “modules” lasting approximately five weeks each during the spring semester. The first module concentrates on identifying the quality characteristics of corn and grain sorghum desired by livestock feeders, human food processors, and industrial users. In the second module, students study how genetics, production practices, grain drying/storage, and handling have on the quality characteristics needed by end users. The first two modules are offered both on the East Campus at UNL and through distance technology to undergraduates students and graduate students in the Master of Agriculture program.

The third module focuses on the economics of specialty grain production and marketing. Topics include end user demand for specialty characteristics, budget analysis, contract marketing, and entrepreneurship.

This interdisciplinary course is designed to help students explore value-added grain production “from corn seed to steak, pork chop, breakfast cereal, adhesive, and fuel additive.”

*For more information, e-mail Darrell Mark, [dmark2@unl.edu](mailto:dmark2@unl.edu), or phone (402) 472-1796; or e-mail Stephen Mason, [smason1@unl.edu](mailto:smason1@unl.edu), or phone (402) 472-1523.*



# Focus on people

## Faculty, Staff and Students Receive Awards

### Parents Recognize Johnson, Hanson, Pfeiffer and Spilker

On January 31, 2003, Ronald Hanson, Bruce Johnson, Matthew Spilker, and George Pfeiffer were recognized for their contributions to students. The UNL Parents Association and the UNL Teaching Council sponsor the Student Contribution Award. The Parents Association solicits nominations through a mailing requesting UNL parents or students to nominate a member of the University who has made a significant difference in their son's or daughter's life. Nominations include a short explanation of why this person was nominated. At least one parent and/or student nominated all individuals. Congratulations to Ron, Bruce, George and Matt.

### Lynn Lutgen receives Industry Service Award

The 2003 recipient of the Nebraska Grain Sorghum Producers Association (NeGSPA) Industry Service Award is Dr. Lynn Lutgen, associate professor of agricultural economics at the University of Nebraska. "Dr. Lutgen has served as an ex-officio member of NeGSPA's Board of Directors for the past 15 years," says Doug Nagel, Davey, NeGSPA President. "He has provided guidance on marketing, exports and grain stocks and has been instrumental in sorting through the many policy issues that impact the sorghum industry."



Lutgen has worked with the Association to develop recommendations for inclusion in various Farm Bills and chairs the board's planning committee for the annual series of sorghum seminars

that focus on marketing, production and management of sorghum. He makes annual appearances at the seminars providing a market outlook, discussing pricing strategies, and basis patterns. "NeGSPA is pleased to join industry peers in acknowledging Dr. Lutgen's contributions and continued industry support," added Nagel. "His knowledge of the grain markets and use of it to the best interest of producers makes him a worthy recipient of this year's award."

### Dillion Feuz Prime Beef Promoter

Dillion Feuz, professor and extension beef marketing specialist at the Panhandle Research and Extension Center in Scottsbluff, received the Nebraska Beef Council Prime Promoter award in June 2002. He received the award for his continued support of the beef industry through his research and extension programs.

### Deb Rood receives Extension Assistant of the Year Award

At the Fall 2002 Extension Conference held in Grand Island, Dean Elbert Dickey awarded Deb Rood, program coordinator in the Department of Agricultural Economics, with the Distinguished Extension Assistant of the Year Award.

This award recognizes imaginative and sustained leadership by extension assistants in developing extension programs in cooperation with other extension faculty. For nearly 20 years, Deb has recognized the vital role that women play in farming and ranching and built a nationally recognized extension program for agricultural women. The Women in Agriculture program is designed to assist women by providing relevant management education for their agricultural businesses.



### Agribusiness Students Recognized As University Scholars

Students in the Department of Agricultural Economics are amongst the best in the University, and, as a result, they have been recognized by two prestigious honoraries. Innocents Society, the chancellor's senior honorary, selected 13 members last year, including agricultural economics major Lisa Pfeiffer, a senior from Seward, Neb. Mortar Board, a national honorary, inducted John Burks, an agribusiness and agricultural economics major from Lexington, and Charles Frost, an agricultural economics major from Lemont, Ill., at a ceremony last spring. These recognitions highlight the quality of the students and the academic programs in the department.



## Jill Kruger Homecoming Queen

Arlington native, Jill Kruger was selected as UNL's 2002 Homecoming Queen in November, along with King Troy Hassebroek. The College of Agriculture Sciences and Natural Resources senior, Jill is majoring in Agriculture Journalism with an emphasis in broadcasting and public relations. Jill currently works in the Department of Agriculture Economics under the supervision of Doug Jose. There she serves as the communications specialist for the North Central Risk Management Education Center and also assists with *Market Journal*. Jill was also inducted into the Mortor Board last spring.



The selection process for Homecoming is done in three steps. First, candidates complete an application. Chosen semi-finalists then go through an interview with university students and staff. This year, 11 king and 11 queen candidates were chosen as finalists based on their interviews and applications. Jill and Troy were then elected by a popular vote of the student body. Congratulations Jill!



## Sterkel Joins the Department

Sandy Sterkel joined the department on January 6, 2003, as staff secretary. Sandy works with several extension programs in Agricultural Economics, including the North Central Risk Management Center, Pork Central, Women in Ag, Beginning Farmer, and Cooperative Management Training. Although new to the department, Sandy has been with the University of Nebraska South Central

Research and Extension Center at Clay Center, for 28 years. Sandy and her husband Darwin raise cattle on their ranch near Nelson, Nebraska.

## Department says Good-bye to Sam Cordes

Sam Cordes, Department of Agricultural Economics head from 1989-94, has accepted the position of assistant director of extension and program leader for community and leadership development at Purdue University. Sam was reared on a cattle ranch in western South Dakota. After graduating from high school, he attended the University of Wyoming and South Dakota State University. Prior to receiving his BS degree in Agricultural Economics from SDSU in 1967, he held various jobs including that of rural schoolteacher, construction worker, and ranch hand, and was also active in rodeo competition.

Sam earned his Ph.D. in agricultural economics at Washington State University in 1972. While at WSU he served one year as executive director of the Governor's Task Force on Rural Affairs. Sam joined the faculty of Penn State University in 1972. His professional work at Penn State was in the area of community economic development, emphasizing economic issues related to rural health care delivery.

In 1985, Sam became head of the Department of Agricultural Economics at the University of Wyoming. In 1989, he assumed the same position at the University of Nebraska; and in 1991 also served as director of the University of Nebraska's Center for Rural Community Revitalization and Development (now the Center for Applied Rural Innovation).

Sam has played an active role in the creation or development of several major organizations and initiatives, including the Rural Policy Research Institute (RUPRI); the Council on Food, Agricultural and Resource Economics; the National Association of Agricultural Economics Administrators; the Social Science Subcommittee of the Experiment Station Committee on Organization and Policy; the American Rural Health Association; the National Rural Health Association; the Journal of Rural Health; the Nebraska Development Network; the Partnership for Rural Nebraska; and the Nebraska Cooperative Development Center.



While at UNL Sam played an active role in helping provide university research to rural health policy makers in Congress. In 1988 Sam was one of the initial appointees to the National Advisory Committee on Rural Health, U.S. Department of Health and Human Services. Sam organized the RUPRI rural health panel in 1993, which continues to be actively involved in federal policy deliberations regarding the rural dimensions of federal health care policies. In 2000, Sam received the Special Legislative Award from the National Rural Health Association on behalf the RUPRI health care panel. Sam also received the RUPRI Founder's Award in 1999.

Sam was the 1996 recipient of the Distinguished Researcher Award from the National Rural Health Association, and received the National Rural Health Association's President's Award in 1998. In 2000, Sam was the first recipient of the Graduate Alumni Achievement Award from Washington State University, and he won the 2002 distinguished alumni award from South Dakota State University.

We thank Sam for the leadership he provided while serving as department head and faculty member, and wish Sam and his wife Trish all the best at Purdue.





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