

Small food, farm businesses provide healthy future for Iowa

Penny Brown Huber - February 25, 2008 - From The Des Moines Register

Iowa needs a plan to make entrepreneurial agriculture the cornerstone of a rural resurgence. That's one thing I've learned in the last seven years while running the Grow Your Small Market Farm Business Program - an outreach unit of the Mid-Iowa Small Business Development Center.

More than 100 farm families and small agricultural businesses from 45 counties statewide have taken part in this business-planning program.

The search for new markets has led nearly all program participants to create small food and farm businesses catering to nearby or local customers. The lion's share of Iowa agriculture serves - and will continue to serve - national and global markets. Yet, many growers are finding consumers will pay a premium for locally-produced fruits, vegetables, meat and dairy products.

Our state government should encourage such innovation. Iowans spend \$6 billion each year on food, yet nearly all of it comes from out of state. As more people become concerned about where their food comes from and how their choices as consumers impact and contribute to our economy, we need to capitalize on the opportunities to meet these markets and create strong regional economies. In 2006, a report published by Iowa State University economist Dave Swenson outlined the economic benefits of Iowans eating all the fruits and vegetables they should - but just those grown in Iowa in a three-month period. These benefits to the Iowa economy would be \$139.9 million in agricultural sales, \$54.2 million in labor income and 2,032 jobs.

Numerous barriers hinder local-food-system development. Many reflect the lack of coordinated efforts to strengthen Iowa's small-business entrepreneurial culture, such as identifying and supporting more fruit and vegetable producers, fruit and vegetable processing infrastructure and developing a distribution network. Small-market farmers need guidance on rules and regulations and greater access - to everything from management talent to capital at all stages of development. In addition, they must recognize distribution costs and build supply-chain partnerships, as a new Leopold Center for Sustainable Agriculture study finds that many components of a local-food-system supply chain - including processing, storage and trucking businesses - are not yet in place.

In August, Iowa Secretary of Agriculture Bill Northey asked Iowa Sens. Tom Harkin and Chuck Grassley to support specialty-crop programs in the 2007 farm bill. In a letter, Northey wrote: "As the interest in locally grown food increases, it's important that we support the producers that grow these crops."

But federal dollars alone are not the answer.

Unfortunately, federal law prohibits many of these emerging businesses from securing capital from the best qualified provider - the Farm Credit System. It is a farmer-owned cooperative-financing network created by Congress in 1916 to ensure an ample supply of credit in rural

America. Today, Farm Credit System consists of 100 locally-controlled associations nationwide, with Iowa farmers served by Omaha-based Farm Credit Services of America. The 1971 Farm Credit Act determined that Farm Credit System can finance farm-related businesses only if they're farmer-owned. Thirty-six years later, Farm Credit System is asking Congress for the authority to finance farm-related businesses that aren't farmer-owned. No appropriation would be necessary.

Granting Farm Credit System loan officers the authority to finance local-food-system infrastructure - whatever the ownership structure - will help foster investment in marketing and distribution enterprises. Then, small growers will be able to ramp up supply to meet demand from restaurants, groceries, schools and other institutions.

Recently, I talked about the Grow Your Small Market Farm Business Program to an attentive audience at the Farm Credit System's annual meeting in Florida. This nationwide gathering of agricultural business lenders featured discussion of the topic of financing local food systems. With Farm Credit's lending expertise focused on the opportunities for local food systems, there needs to be a public-policy response to encourage local farmers to look into profitable diversification by selling foods in local markets.

By working together, the private, public and non-profit sectors can help build small, local food production and create local food systems that will promote healthy eating habits and encourage local wealth creation, thus spurring economic development that will rejuvenate Main Streets throughout Iowa.

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