

## **Entrepreneurial Rural Communities National Case Studies Series**

Eight case studies of entrepreneurial rural communities and a summary report have been developed from presentations and discussions at a National Entrepreneurial Rural Communities Workshop held in Fairfield, Iowa, on June 3, 2005. The series includes:

Report 1: The Appalachian Center for Economic Networks (ACEnet) in Athens, Ohio

Report 2: Northern Initiatives in Michigan's Upper Peninsula

Report 3: *Tapetes de Lana* Weaving Center, Mora, New Mexico

Report 4: Douglas-Coffee County, Georgia: An Entrepreneur-Friendly Community

Report 5: The IDEA Center Incubator of Tupelo, Mississippi

Report 6: North Iowa Area Community College Entrepreneur and Capital Networks

**Report 7: AgVentures Alliance: An Entrepreneurial Value-Added Agriculture Network**

Report 8: Fairfield, Iowa: The Emergence of a Serial Entrepreneurial Community

Report 9: Reflections on Local, State and Federal Policies to Support Entrepreneurs

Supplement: *"Entrepreneurial Community Ecosystems..."* by Sohodojo

**September 15, 2005**

*A Report Prepared by the*

### **Community Vitality Center**

478 Heady Hall

Ames, IA 50011-1070

Phone: 515-294-3000

FAX: 515-294-3838

E-mail: [cvc@iastate.edu](mailto:cvc@iastate.edu)

Web site: [www.cvcia.org](http://www.cvcia.org)

The National Entrepreneurial Rural Communities Workshop and Case Study Project was sponsored by Farm Foundation. The case studies were edited by Sue Lambertz, Sandra Burke, Becky Johnson, and Mark Edelman of the Community Vitality Center, Iowa State University. The workshop was organized by Burt Chojnowski, past President of Fairfield Entrepreneurs Association. Companion PowerPoint presentations are available for download from the CVC web site: [www.cvcia.org](http://www.cvcia.org). Video excerpts recorded by Fairfield Public Access Community television (FPAC) and are being made available at <http://www.brainbelt.com>.

## **Report 7: AgVentures Alliance: An Entrepreneurial Value-Added Agriculture Network**

by Don Hofstrand, AgVentures Alliance Executive Director, Co-Founder, and Regional Management Specialist, Iowa State University Extension

Sometimes the entrepreneurial group that is overlooked by community economic development supporters is the commercial farmer. Value-added agricultural projects are often misunderstood and finding the right mentors, models, industry expertise, and financiers can be frustrating for individual producers and entrepreneurial groups. AgVentures Alliance was started in the mid-1990s and is based in Mason City, Iowa. It was organized to fill the entrepreneurial technical assistance void and offer financial support in developing value-added agricultural business ventures. The initial organizational concept was sparked by Don Hofstrand, a Regional Farm Management Specialist with Iowa State University Extension. Hofstrand invited a group of 20-30 farmers together to discuss the challenges and opportunities of value-added agriculture projects for the communities, and then he told the group, “You need to do this, not me.” Hofstrand says, “If it was going to work, it had to be driven by the producers.”

After several months of meetings, Ag Ventures Alliance was off and running with an exclusive mission to facilitate the development of value-added agriculture projects. Membership requires a \$250 initial investment, with annual dues determined by the members. Since inception, annual dues have ranged from \$0 to \$50 per year. The membership list is kept confidential. Current membership includes 1,153 investors, including 433 accredited investors. Most of the members are from North Central Iowa, but there are a few members from Minnesota and other parts of Iowa. Membership is open to anyone, however 91 percent of the members are farmers. The remaining membership consists of farm managers, coops, landowners, bankers and others. “For \$250, anyone can join,” says Hofstrand. “We are an inclusive, not exclusive organization.”

Since 1998, Ag Ventures Alliance has been the development force behind three successful projects: One project is Golden Oval Eggs, a 5.5 million bird capacity laying facility in Thompson, Iowa. Seven hundred farm members financially invested (as a coop – farmer owned) and provided commitments for delivery of corn. The vision isn’t to just break eggs, but to move up the food chain directly to the consumer with ready-to-cook egg products. Farmer members have recently changed the organizational structure to an LLC to allow for more creative financing opportunities.

Midwest Grain Processors has nearly 1000 farmer-owners and has developed an agricultural industrial park in Lakota, Iowa. MGP’s first ag business is an ethanol production facility with a 45 million gallon per year capacity. The plant uses 16 million bushels of corn annually. Plans are underway to double the capacity of the plant. Currently, they are also investigating additional corn processing opportunities.

Minnesota Soybean Processors has over 2000 farmer members and they have opened a soybean processing plant in Brewster, Minnesota. It processes 100,000 bushels of soybeans per day to produce soybean oil and meal.

In addition, there are several other projects that are in the planning stages. Northern Iowa Dairy Development Initiative is designed to utilize the livestock feed grown in the area to produce more milk products. The number of dairy operations has declined in recent years due to farmer age and economics. However, larger and more efficient dairy operations are being recruited to sustain the industry’s infrastructure so that the whole industry is not lost to the region. Ag Ventures Alliance

## *Entrepreneurial Rural Communities National Case Studies Series*

plans to identify prospective dairy producers, screen them, provide training programs, and relocate them to Iowa. Currently, they are working with dairy farmers from other states and the Netherlands. Iowa has several milk processors, but is increasingly importing milk from other states for processing.

*Aqua-Ventures* is a large scale shrimp production project using large ponds. It is a seasonal business, and plans are to produce shrimp in large enclosed buildings. One of the outputs from ethanol plants is a large amount of hot water that might be used in the process.

*SoyEx* is an adhesive sealing product from soybeans used for binding materials such as plywood. Current binding materials are sometimes expensive and toxic. AgVentures is looking to provide binding materials that are safe and less expensive. There is concern about long term adhesive properties, and they are researching the capabilities to assure builders of its long term use.

Other possibilities being explored are value-added tours. “There is a lot to learn about agriculture in other states and direct marketing to the consumer,” says Hofstrand, “One of our goals is to advance our membership nationally.” Hofstrand concludes that farming has become an international business, and farmers need to be in the international market. AgVentures Alliance offers an edge against inflation and land values.

Ag Ventures Alliance will also research and monitor legislation pertinent to agricultural interests on both a state and federal level. Recently, it conducted research on innovations resulting from the Wyoming Cooperative Law. Keeping an eye on legislative activity enabled AgVentures Alliance to develop a rural partnership venture to qualify as a Community Development Entity (CDE) for certain programs of the U.S. Treasury Department. As a result, it was one of 61 recipients of New Market Tax Credits and received a \$44.5 million allocation for projects in value-added businesses located in eligible low income rural areas. It is a complicated process, but the demand is there. “We’ve received \$1.5 billion in requests,” Hofstrand reported. The program provides an investment tax credit of up to 39% that can be used over seven years.

Members of Ag Alliance Ventures invested \$21 million in the first two projects. Approximately 40 to 50 members worked to provide technical assistance and organize equity capital for the two projects. “We don’t rely on outside consultants, but we work with local leaders to put projects together using local expertise,” Hofstrand said. Industry consultants are brought in as the project needs may require, but projects are not driven by consultants. A fee is charged for the services provided to each project, and if the project is successful, the fee comes out of the dollars raised. No Wall Street investors are contacted to invest in the projects. The preference is for projects to be locally owned and controlled.

Ag Alliance Ventures knows agriculture is big business, and much of their profits are being distributed among a lot of small-to-medium sized operations. Entrepreneurship is not limited to shops, services, manufacturing and other businesses that most communities consider when they seek local entrepreneurial initiatives. “Ag Ventures Alliance is an example of what can happen when entrepreneurial farmers are invited to a meeting to think about the possibilities,” says Hofstrand. “We created an organization that develops the expertise and capacity to help a few innovators turn good ideas into larger scale value-added ventures that provide markets for agricultural producers as well as the entire region’s economy.”

**For more information on the Internet see:**

[www.agventuresalliance.com](http://www.agventuresalliance.com)