

Final Report

Grantee: Minnesota Department of Agriculture

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Project: 2007 Organic Farm Performance in Minnesota Report

Funding: \$6,725

Dates: 4/29/08 – 12/31/09

Project Summary

This project contributed to better understanding of the real-world productivity and financial performance of nearly 75 fully organic and split-production farms in Minnesota. Two publications, the 36-page *2007 Organic Farm Performance in Minnesota* and the 52-page *2008 Organic Farm Performance in Minnesota*, delivered organic farm performance data into the hands of thousands of other interested farmers, researchers, lenders, and other agency and organization decision makers across the country who are interested in learning more about the economics of organic farming. Outreach and educational efforts at meetings and conferences broadened the project's impact.

Introduction to Topic

Although the adoption of organic farming practices continues to grow at a great rate (estimated at 41% between 2005 and 2009 in Minnesota, according to data collected by the Minnesota Department of Agriculture), assumptions and assertions, both positive and negative, about the profitability of organic farming persist. Real-world, farm-level data about organic farm performance are still scarce.

Several years ago, a group of partners led by the Minnesota Department of Agriculture recognized that multiple audiences that would benefit from access to data about organic farm performance: organic producers, who want to assess their enterprise performance and benchmark against similar farms; conventional farmers, who can use the information as they consider whether to convert to organic; lenders who need data to evaluate loan requests; agencies, organizational leaders, elected officials and their staff members who can use the information as they craft programs that address organic farmers' experiences and needs.

We created a scholarship program that defrays certified organic farmers' cost to enroll in farm business management education programs offered by schools in the Minnesota State College and University (MnSCU) system. Growers work one-on-one with management instructors in a program specifically tailored to their operation—learning to keep and use farm records to make sound business management decisions. Program participants receive comprehensive year-end analyses that can be used for enterprise planning, tax preparation, and discussions with lenders. Strict confidentiality measures protect the privacy of the participants and their financial

information. The scholarships start at 80% of tuition and decrease by 10% every two semesters thereafter.¹

When our team designed the larger project, we did not anticipate a need for or interest in an annual report summarizing participant data. A 2006 performance report was produced with one-time funding by the Minnesota Department of Agriculture and it proved to be very popular with participating farmers, instructors, and others curious about organic performance. Our team wanted to produce print and electronic versions of a 2007 data report

Objectives Statement

We requested \$6,725 in OFRF funds to write, print, and disseminate a 32 to 40 page booklet containing 2007 data from 70 to 80 organic farmers enrolled in Minnesota's Farm Business Management (FBM) program.

These discrete objectives fit into a larger purpose: to collect accurate, real-world production and financial information generated by working organic farms and get it into the hands of farmers and other decision makers. The larger project has been funded by USDA Risk Management Agency since 2006. It has involved modifying financial analysis software for organic enterprises and recruiting and enrolling farmers to work with farm business management instructors.

Materials and Methods

In spring 2008, individual FBM instructors submitted their data to the University of Minnesota Center for Farm Financial Management (CFFM) where it was checked for errors, stripped of identifying characteristics, and incorporated into a 2,000 farm database called FINBIN.

Project Manager Meg Moynihan and project partners Dale Nordquist (CFFM) and Ron Dvergsten (MnSCU) discussed and determined what kinds of whole farm and enterprise-level financial tables to include in the publication. The CFFM produced these data tables and Dale wrote an introduction/overview. Ron provided information about financial measures that we included in the publication to help users benchmark their own farm information.

The book included 25 tables containing whole farm and crop and dairy enterprise analyses for organic producers and some comparisons to conventional farms. Data were provided by 45 fully organic farms and 20 farms using both organic and conventional management (split-production farms) for a grand total of 65 operations.

Staff at the Minnesota Department of Agriculture provided graphic and layout services and added all partner logos. After a bidding process, 1,000 copies of the 36-page *2007 Organic Farm Performance in Minnesota* was sent to press.

Copies of the book were distributed free of charge to groups and individuals listed in Appendix 1 and by project partners (Organic Crop Improvement Association, MN #1, Sustainable Farming Association of Minnesota, University of Minnesota Center for Farm Financial Management). Other outreach activities are detailed in the *Outreach* section below.

¹ In 2009, the average annual cost of Farm Business Management program tuition was about \$1,400/year.

Cost savings in production meant that, with OFRF's permission, we could stretch the funds to an additional year, producing a *2008 Organic Farm Performance in Minnesota* book as well. Work on that began in Spring 2009. We used the same procedure as in 2008 and, along with Dale's introductory analysis, added contributions by two farm business management instructors: "Valuing a Lifestyle: Using Numbers to Inform Big Picture Thinking," "How to Use this Book" and "Getting the Most out of Your Own Farm Analysis – A Step by Step Guide for Participating Farmers." Additional definitions of farm financial management terms and measures were added as well. We printed 1,500 copies of *2008 Organic Farm Performance in Minnesota*.

The 2008 book includes 28 tables containing whole farm and crop and dairy enterprise analyses for organic producers and some comparisons to conventional farms. Data were provided by 48 fully organic farms and 26 farms using both organic and conventional management for a grand total of 74 operations.

In addition to the print versions, electronic PDF copies of the book (or links to it) were posted on every partner's web site:

2007 Organic Farm Performance in Minnesota –

<http://www.mda.state.mn.us/news/publications/food/organicgrowing/2007orgfarmperf.pdf>

2008 Organic Farm Performance in Minnesota –

<http://www.mda.state.mn.us/news/publications/food/organicgrowing/2008orgfarmperf.pdf>

Project Results

This project resulted in two publications (one planned and one "bonus") that summarized and delivered two years of Minnesota organic farm performance data to more than a thousand people each year (enclosed with addenda).

Participating FBM instructors reported that they used the books to help their individual students benchmark their own farm performance against that of their peers.

Publicity about the books (and their electronic versions) and outreach/education activities at meetings and conferences further broadened awareness of the publications and, more broadly, the economics of organic farming. A Google search for the title "organic farm performance in Minnesota" nets 1,070 hits (Appendix 2).

Conclusions and Discussion

This project has had an immense reach, delivering concrete information about how organic farming "works," in terms of farm performance and economics, to several thousand individuals and organizations. It enhanced a larger simultaneous effort to increase farm business management capacity of organic farmers while systematically collecting data about the productivity, costs, and profitability of organic farming in Minnesota. In addition to delivering data, the books also proved to be an important advertising tool for the larger project and, we hope, stimulated interest beyond Minnesota in quantifying the economics of organic farming.

Data from future years of the project will continue to be available to www.finbin.umn.edu although not in the organized, packaged, analysis-enhanced and conveniently delivered form of the 2007 and 2008 publications.

Outreach

In addition to direct mailing the publications to individuals detailed in Appendices 1 and 2, the books were publicized and distributed in a variety of ways:

- Via press release (Appendix 3) distributed to more than 100 print and radio media throughout the state of Minnesota, certifying agencies, and to organic/sustainable agriculture listservs and organizations (Appendix 4). More than 150 individuals have contacted the MDA to request print copies.
- Featured in displays at meetings, conferences and workshops, including:
 - University of Minnesota Organic Field Day (June 2008, 2009)
 - University of Minnesota Extension Small Farm and Rural Living Expo (September 2008, 2009)
 - Albert Lea Seed House Organic Workshop (November 2008)
 - Minnesota Organic Conference (January 2009)
 - Midwest Value Added Conference (January 2009)
 - Upper Midwest Organic Farming Conference (February 2009)
 - Sustainable Farming Association of Minnesota Annual Conference (February 2009)
 - Minnesota Farmers Union Annual Conference (November 2009)
 - Minnesota Farm Bureau Annual Conference (November 2009)
- In a special session “Using and Understanding Farm Financial Indicators” at the 2009 Minnesota Organic Conference (where OFRF support was specifically acknowledged).
- In presentations at the 5th National Small Farms Conference and at a pre-conference short course about farm financial management (September 2009) (Proceedings not yet published) PowerPoint at <http://www.conferences.uiuc.edu/resources/20033/Presentations/3E/Moynihan%20-%20organic%20farm%20performance%20ppt%20for%20Nat%20Sm%20Farm%20Conf.pdf>

Addenda

Appendix 1. Distribution via direct mail and distribution

All participating farmers

All other certified organic farmers in MN

All Minnesota Farm Business Management Instructors (~80)

Farm Business Management Deans

7th District Federal Reserve

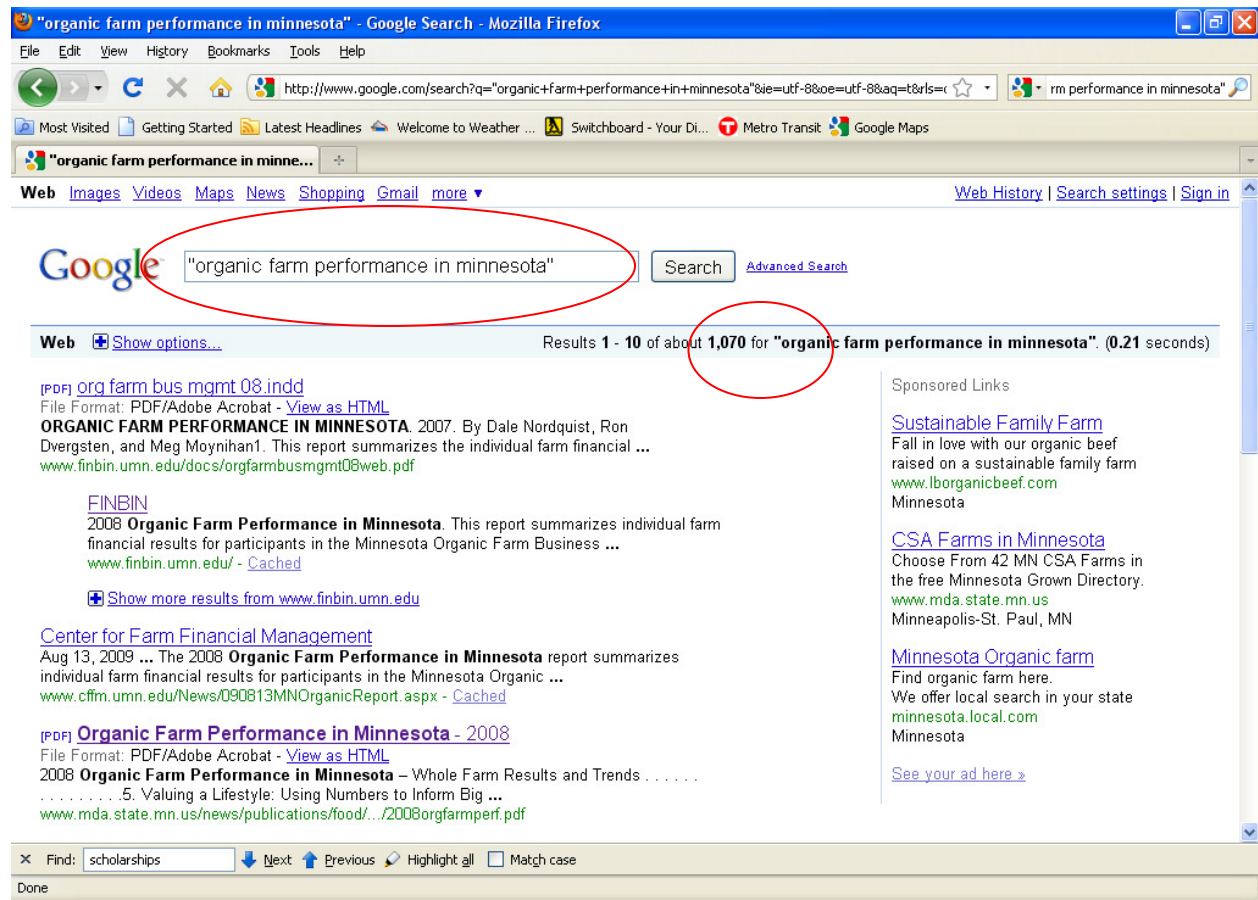
Accredited Certifiers Association

ACRES

Agriculture Utilization Research Institute

All FSA Minnesota field offices

Appendix 2. Web penetration



Appendix 3. Sample press release



NEWS RELEASE

FOR IMMEDIATE RELEASE: Tuesday, August 19, 2008

CONTACT: Margaret Hart, Communications Coordinator, 651-201-6131

New MDA report offers details on organic farming profitability

ST. PAUL, Minn. - The Minnesota Department of Agriculture (MDA) has released a new report about the financial performance of organic operations in the state. The report, entitled *2007 Organic Farm Performance in Minnesota*, contains data provided by 65 organic farmers enrolled in farm business management courses. To protect the farmers' privacy, the summary does not identify the participating farms.

MDA Organic and Diversification Specialist Meg Moynihan says the report offers detailed information about the cost of production and the profitability of organic agriculture in Minnesota. It contains financial summaries, crop and livestock enterprise analyses, and financial standards measures.

"In the past, there hasn't been much information available about the profitability of organic farming enterprises," Moynihan said. "This report provides some of that information and will help organic farmers make sound business decisions."

Moynihan says the net returns of different organic crops and livestock species are highly variable, so the report will also help farmers who may be contemplating switching to organic farming.

The 36-page, *2007 Organic Farm Performance in Minnesota* report was produced jointly by the MDA, the University of Minnesota Center for Farm Financial Management, and Minnesota State Colleges and Universities. It is available online at <http://www.mda.state.mn.us/food/organic/bizmgmt.htm>. Scholarships for participating farmers were provided by the United States Department of Agriculture Risk Management Agency. Funds to publish the report were contributed by the Organic Farming Research Foundation. Other partners are the Sustainable Farming Association of Minnesota and Organic Crop Improvement Association Minnesota #1. Print copies are available by calling 651-201-6012. To generate detailed farm financial data summaries from other types of enterprises and other years, visit www.finbin.umn.edu.

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This release is available on the MDA website at <http://www.mda.state.mn.us>

Appendix 4. Publicity about the publications to regional and national organic and sustainable organizations and listservs

ATTRA/NCAT

Economic Development Association of Minnesota

Farm Beginnings Program

Farm Credit Services: AgStar, United, and Northern

Five Extension educators in Minnesota

Food Alliance

Independent Community Bankers Association of Minnesota

Independent Organic Inspectors Assn

Land Stewardship Project

Midwest Organic and Sustainable Education Services

Midwest Sustainable Agriculture Working Group

Minnesota Farm Bureau

Minnesota Association of Community Bankers

Minnesota Association of Soil and Water Conservation Districts

Minnesota Farmers Union

Minnesota Food Association

Minnesota Fruit and Vegetable Growers Assn.

Minnesota Grown

Minnesota Milk Producers Association

Minnesota Organic Advisory Task Force Members

Minnesota Organic Memorandum of Understanding signatory agencies (Minnesota NRCS, FSA, RMA, and Rural Development offices, Minnesota Pollution Control Agency, Minnesota Department of Natural Resources, University of Minnesota College of Food, Agriculture and Natural Resources Sciences, University of

Minnesota Extension, University of Minnesota Agricultural Experiment Station)

Minnesota Organic Network Listserv

Minnesota Sustainable Agriculture Listserv

MN Congressional Representatives - 8 House Districts

National Agriculture Library

National Association of State Departments of Agriculture

National Association of State Organic Programs board members

Northern Plains Sustainable Agriculture Society

Organic certifiers operating in Minnesota (20)

Organic Farming Research Foundation

Organic Trade Association

Organic Valley

Rodale/New Farm

Minnesota Senators Al Franken and Amy Klobuchar

Sustainable Agriculture Research and Education Program

Sustainable Farming Association of Minnesota (SFA)

University of Georgia Agricultural Economist Luanne Lohr

University of Minnesota researchers with a demonstrated interest in organic topics (as reference materials for National Institute of Food and Agriculture funding proposals, etc.)

USDA-Agricultural Marketing Service, Livestock and Grain Market News

USDA-Economic Research Service