



**iowa
farm and
rural life
poll**

2007 Survey Report on Farmer Entrepreneurship

Introduction

Agriculture in America is changing. Farmers are faced with rapid advances in biotechnology, electronics, and telecommunications that affect how crops are grown, livestock is raised, and how they both are marketed. Additionally, American farmers must contend with competition from farmers in other parts of the globe. Some farmers are able to take advantage of the changing conditions while others are just trying to keep up.

A substantial number of farm families operate a business in addition to their regular farming operation—some to take advantage of perceived investment opportunities and others for needed supplemental income or to expand operations to bring children into the business. This report focuses on responses to a series of questions farmers were asked in the 2007 Iowa Farm and Rural Life Poll on the nature, problems, and prospects of Iowa farmers' entrepreneurial activities.

Created in 1982 as a partnership of Iowa State University Extension, the Iowa Agriculture and Home Economics Experiment Station, and the Iowa Department of Agriculture and Land Stewardship, the poll helps target Extension and research programs to the needs of farm families. Data on issues of importance to farmers are collected to provide input to local, state, and national leaders in their decision-making. We thank the many farm families who responded to the survey.

Additional copies of this report or any previous year can be obtained from your local county Extension office, or by contacting the Extension Distribution Center at Iowa State University.

Methods

Questionnaires were mailed to a statewide panel of 1,473 farmer operators followed by reminder postcards and replacement questionnaires to maximize response rate. Usable responses were received from 1,095 operators for a 74 percent response rate. This report summarizes the findings for the 144 respondents (13 percent) who answered that someone in the household operated a business other than the farm.

Nature of the Business

Farm families operated a wide variety of businesses as shown in Table 1. Some of these businesses, such as equipment repair and seed sales, are traditional second businesses for farmers, while others are more unusual. More farm families had a construction business than any other type of business (15 percent), which included carpentry, cement, electrical, roofing, and other types of work. Ten percent operated some type of retail business which included a grocery store, a flower shop, and an auto parts shop. Nine percent provided financial or insurance services (tax preparation, crop insurance). Eight percent each sold farm inputs (such as seed, fertilizer, animal

health supplies), and personal services (house cleaning, day care, beauty shop). Six percent operated an auto, truck, or equipment repair business. Five percent each provided farm services (horse breeding, grain warehousing, manure spreading), professional services (farm manager, veterinarian, attorney), entertainment, recreation, and hospitality (bar, bed and breakfast, restaurant), and auto, truck and equipment sales. Four percent each were engaged in arts and crafts production and sales and operating rental property. Three percent

Table 1. Types of Businesses Operated by Farmers

| Type of Business (n=130) | Percent |
|---|---------|
| Construction..... | 15 |
| Retail..... | 10 |
| Finance insurance..... | 9 |
| Farm input sales..... | 8 |
| Personal services..... | 8 |
| Auto, truck, equipment repair..... | 6 |
| Farm services..... | 5 |
| Professional services..... | 5 |
| Entertainment, recreation, hospitality..... | 5 |
| Auto, truck, equipment sales..... | 5 |
| Arts and crafts production and sales..... | 4 |
| Rental property..... | 4 |
| Manufacturing..... | 3 |
| Real estate..... | 2 |
| Information technology sales and service..... | 2 |
| Trucking..... | 2 |
| Wholesale..... | 2 |
| Other..... | 5 |
| Total..... | 100 |

were engaged in some type of manufacturing (pressure washer, auto and truck customizing). Two percent each were involved in real estate sales, information technology sales and service, trucking, and wholesale sales. Five percent of respondents did not provide sufficient information to classify their businesses.

Nearly one-half of the businesses were started in the last twenty years (Table 2). Even though the attrition that occurs over time is expected, 15 percent of the businesses have been in existence 40 years or longer. Also, reasons for starting a second business may be independent of farm income cycles, as reflected by fairly even numbers of businesses across the five time periods.

Table 2. Year Business Was Started, by Decade

| 1967 or Earlier | 1968–1977 | 1978–1987 | 1988–1997 | 1998–2007 |
|-----------------|-----------|-----------|-----------|-----------|
| 15% | 18% | 23% | 19% | 25% |

Respondents were asked for the number of people their business employed, both full-time and part-time, and to count themselves in that number if they were employed by the business. Of the 127 businesses indicating that they had employees, about one-half had only one full-time employee (47 percent) and/or one part-time employee (51 percent), and three-quarters had three or fewer employees of each type (Table 3). Still, there were a few larger businesses with considerably more employees—one business had 60 full-time employees, one had 25, and two had 15. Overall, the 130 businesses having employees provided 369 full-time jobs and 201 part-time jobs in their communities.

An important factor in business success is obtaining critical information and assistance for product development, business management, supply sources, and marketing through networking with other businesses. Respondents were asked to assess the

Table 3. Number of Full- and Part-Time Employees Including Proprietor

| Number of Employees | Full-Time (n=98) | Part-Time (n=73) |
|---------------------|------------------|------------------|
| | Percent | Percent |
| 1..... | 47 | 51 |
| 2-3..... | 27 | 27 |
| 4-5..... | 9 | 11 |
| 6-10..... | 12 | 8 |
| 11 or more..... | 5 | 3 |
| Total | 100 | 100 |

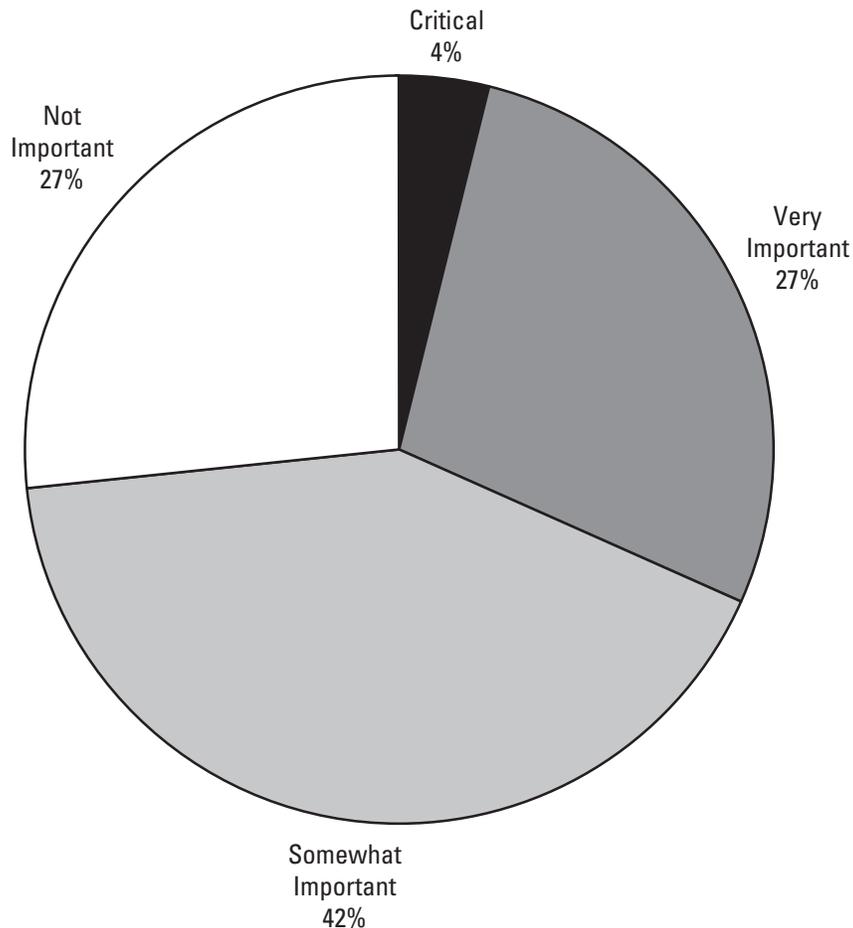
importance of networking with other business owners to the success of their own businesses. Figure 1 shows that about one-third (31

percent) considered networking critical or very important. An additional 42 percent considered networking somewhat important. Just over one-fourth (27 percent) stated that networking was not important to the success of their businesses.

Business Support

Businesses, especially newly-created businesses, often owe their success not only to the creativity and dedication of the entrepreneur, but also to the availability and quality of the facilities and services needed by the businesses. Respondents were asked about the degree to which their business needed each of a list of facilities and services required by many businesses—whether it was critical to the business, needed but not critical, or not needed. They were then asked about the

Figure 1. Importance of networking to business success



quality of each facility or service—whether it was adequate, available but not adequate, or not available.

Truck transportation was mentioned most often as being critical (40 percent), followed closely by cellular service (39 percent) and Internet service (37 percent) (Table 4). Three-quarters or more of respondents also felt that each of these services was adequate. Somewhat less critical were physical space for the business (30 percent), and availability of financing, water quality, and water quantity (all 25 percent). Again, about three-quarters or more of respondents considered these adequate. The rest of the services were considerably less critical, beginning with overnight package delivery (18 percent). Although they were considered not particularly critical, over two-fifths of respondents did indicate that technical assistance for product or service development

(44 percent) and overnight package delivery (43 percent) were needed. Seventy-eight percent felt that air transportation was not needed by their business.

Iowa leaders and public officials often agree that a barrier to business development is a lack of skilled workers. Seventeen percent of respondents considered availability of skilled workers as critical, and 14 percent felt job training for workers was critical. Furthermore, availability of skilled workers was the only service that was considered adequate by fewer than one-half (49 percent), and that was followed closely by job training for those workers (52 percent).

Potential Business Expansion Activities

Respondents were asked how likely their businesses were to engage in any of a series of

Table 4. Degree to Which Facilities and Services are Critical and Have Been Adequate to Support the Business

| Facility or Service | Critical | | | Adequate | | |
|--|-------------|--------------------------|----------|---------------|-----------------------------|----------|
| | Not Needed | Needed, but Not Critical | Critical | Not Available | Available, but Not Adequate | Adequate |
| | — Percent — | | | — Percent — | | |
| Truck transportation | 31 | 29 | 40 | 3 | 14 | 83 |
| Cellular service..... | 18 | 43 | 39 | 3 | 20 | 77 |
| Internet service | 24 | 39 | 37 | 6 | 19 | 75 |
| Physical space for the business..... | 23 | 47 | 30 | 2 | 16 | 82 |
| Availability of financing | 37 | 38 | 25 | 6 | 19 | 75 |
| Water quality | 41 | 34 | 25 | 0 | 9 | 91 |
| Water quantity | 41 | 34 | 25 | 0 | 7 | 93 |
| Overnight package delivery | 39 | 43 | 18 | 4 | 15 | 81 |
| Availability of skilled workers..... | 47 | 36 | 17 | 19 | 32 | 49 |
| Technical assistance for product or service development | 41 | 44 | 15 | 16 | 23 | 61 |
| Business management assistance for starting and operating the business | 50 | 35 | 15 | 16 | 25 | 59 |
| Job training for workers..... | 53 | 33 | 14 | 18 | 30 | 52 |
| Air transportation | 78 | 17 | 5 | 29 | 12 | 59 |

Table 5. Likelihood of Business Expansion Activities Over the Next Three Years

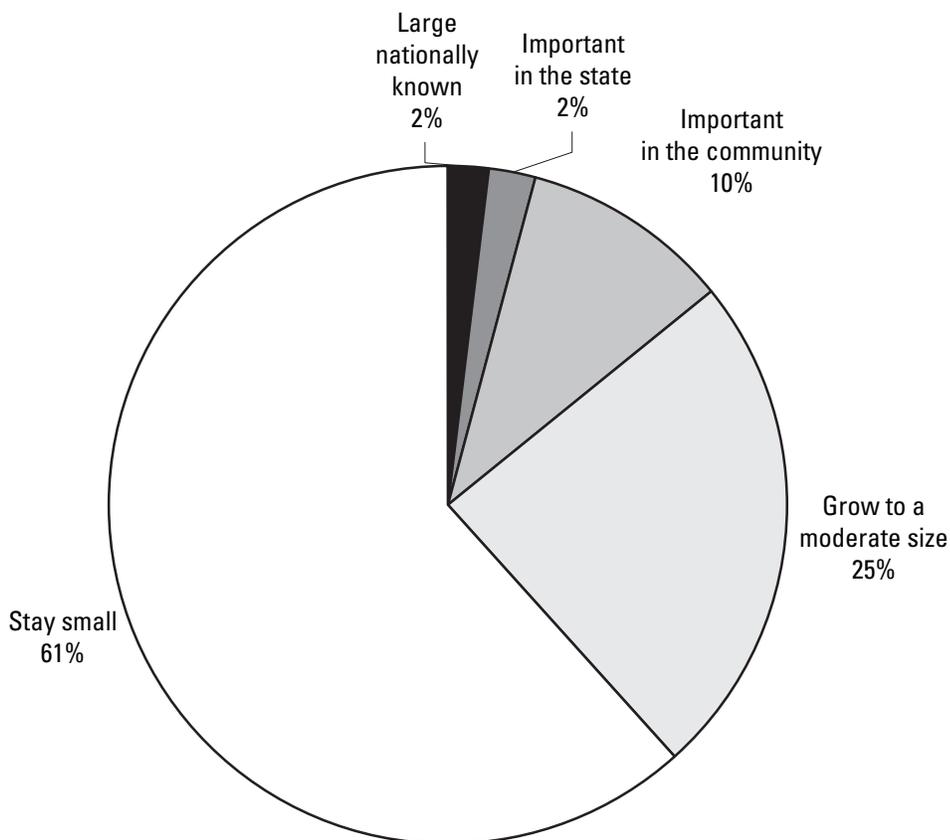
| Business Expansion Activity | Very Unlikely/ Unlikely | Have Not Considered | Likely/ Very Likely |
|---|----------------------------|------------------------|------------------------|
| | | | |
| Invest in new equipment..... | 32 | 14 | 54 |
| Add a new product or service..... | 46 | 13 | 41 |
| Computerize operations or upgrade computer systems..... | 42 | 20 | 38 |
| Upgrade or expand current facilities | 44 | 21 | 35 |
| Sell to a new market..... | 45 | 21 | 34 |
| Expand advertising and promotion | 54 | 19 | 27 |
| Increase the number of employees..... | 58 | 21 | 21 |

expansion activities over the next three years. The most likely activity was investing in new equipment (54 percent stating likely or very likely), followed by adding a new product or service (41 percent), and computerizing operations or upgrading computer systems (38 percent) (Table 5). Thirty-five percent were likely or very likely to upgrade or expand

current facilities and 34 percent sell to a new market. Less than one-third planned to expand advertising and promotion, and only 21 percent were likely or very likely to increase the number of employees.

When presented with choices about the long-range plans for the size of the business, 61 percent selected “Stay small so I can run it by

Figure 2. Long-range plans for the size of the business



myself from my farm” (Figure 2). One-fourth (25 percent) selected “Grow to a moderate size with a few employees.” Ten percent wanted to “Grow large enough to be an important force in the community.” Two percent each wanted to “Grow large enough to become important in the state,” and “Grow to become a large nationally-known firm.”

Proprietors’ long-range plans for the size of the business are related to perceived importance of networking. Those who want to grow the business are more likely to consider networking with other businesses as a tool for that growth. As seen in Table 6, less than one-fourth (22 percent) of respondents whose long-range plans for size of the business was to stay small perceived networking as being very important or critical. On the other hand, about one-half of respondents who wanted their business to grow to a moderate size, to be important in the community or in the state, or to be nationally

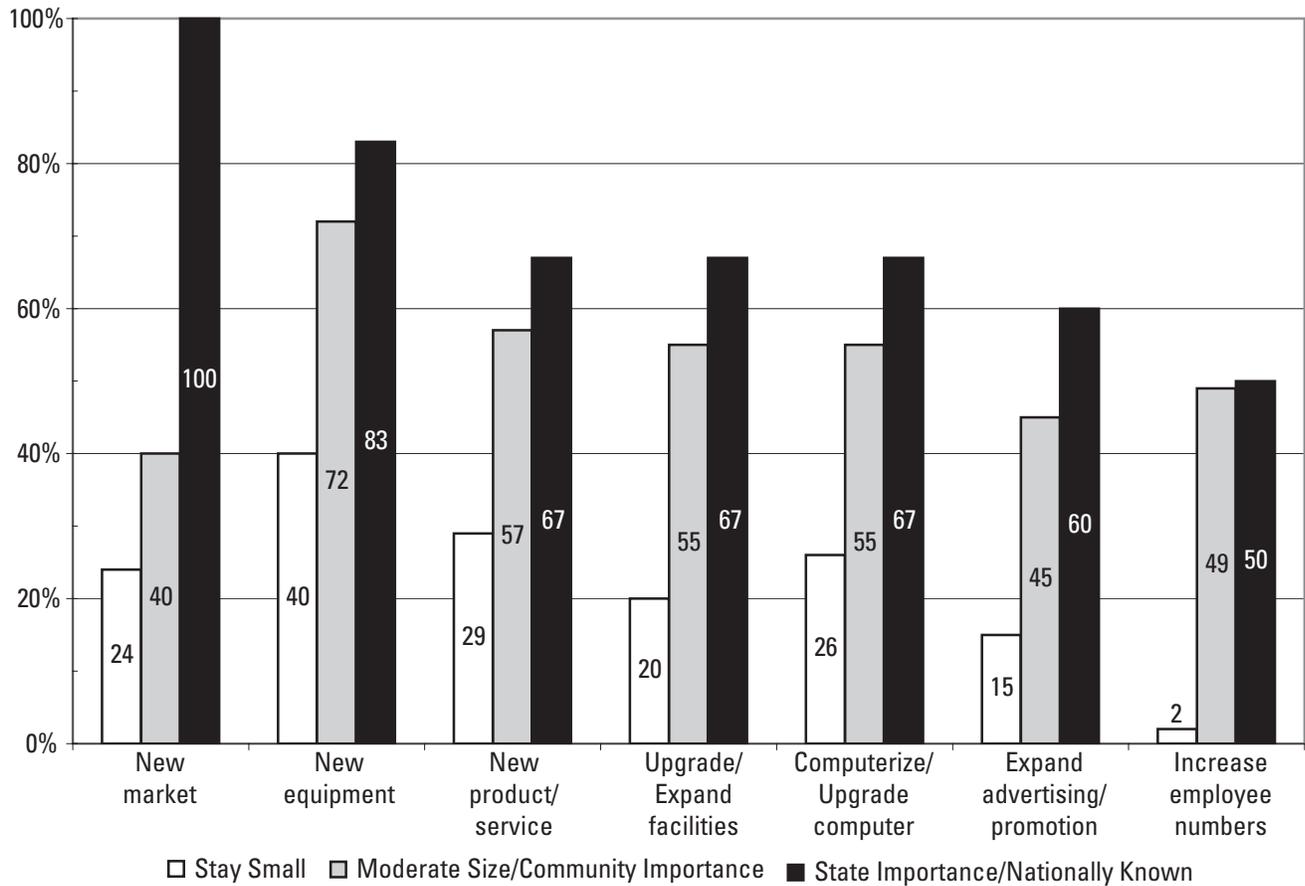
known considered networking with other businesses very important or critical.

Potential business expansion activities also are related to long-range plans for the size of the business. Figure 3 shows that for all seven potential business expansion activities, those proprietors seeking to be important in the state or to be nationally known will likely be most aggressive in expansion activities. Proprietors seeking to stay small will be least aggressive, and those wanting to grow to a moderate size or seek to be important in the community will be somewhere in between the other two groups. Of particular note is that all the proprietors who want their businesses to be important in the state or nationally will be seeking new markets for their products or services, whereas only 40 percent of those wanting their businesses to grow to a moderate size or be important in the community, and less than one-fourth of those wanting their businesses to stay small will be seeking new markets.

Table 6. Importance of Networking to Business Success by Business Long-Range Plans

| Networking Importance | Business Long-Range Plans | | |
|-----------------------|---------------------------|---|---------------------------------------|
| | Stay Small | Moderate Size/ Community Importance | State Importance/ Nationally Known |
| | | — Percent — | |
| Not/Somewhat..... | 78 | 53 | 50 |
| Very/Critical | 22 | 47 | 50 |

Figure 3. Likelihood of business expansion activities over next three years by business long-range plans



Summary

Substantial numbers of Iowa farm families start and operate businesses in addition to their regular farming operation, with more than one-half having been in operation over 20 years. Some of these businesses were extensions of existing farming enterprises, but many are not. Networking is important to a majority of the business proprietors, especially those expressing a growth trajectory for their businesses.

These 130 farmer operated businesses provide 369 full-time and 201 part-time jobs in their communities. About one-third of the proprietors are interested in growing their businesses to the extent that they will have an impact locally, in the state, or even nationally. If they succeed with their long-range growth plans they can have a considerable impact on alleviating the local community's employment and income problems, and improving its overall social and economic vitality.

For more information from the 2007 Iowa Farm and Rural Life Poll, see the following additional reports which are available at www.extension.iastate.edu/store

PM 2043, *Iowa Farm and Rural Life Poll 2007 Summary Report*. This is an overview of the complete 2007 Poll and is available as a paper copy or online.

PM 2049, *Iowa Farm and Rural Life Poll 2007 Survey Report on Grain Storage and Transportation* (available only online)

PM 2050, *Iowa Farm and Rural Life Poll 2007 Survey Report on Farmers' Views on the Bioeconomy* (available only online)

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File: Communities 9-3

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