Made in Minnesota 2011:
Fertile Ground for Minority Opportunity

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with research assistance from
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Minnesota’s agricultural land provides

FERTILE GROUND

for economic opportunity.
EXECUTIVE SUMMARY

Just as it was more than 150 years ago, Minnesota’s agricultural land provides fertile ground for economic opportunity among new immigrant communities, minority populations and long-time Minnesota hobby farmers.

With about 20 percent of all Minnesota jobs tied to growing, handling, processing, packaging and serving food products, there is tremendous potential for Minnesotans, including those new to our communities, to earn a living directly from the land, and three and four steps removed from it.

Traditional Minnesota agricultural operations — growing corn and soybeans, or raising large scale livestock — have become too costly for new producers, with start up expenses averaging more than $2 million. However, small-scale ag operations — growing consumable fruits and vegetables, flowers, Christmas trees, and pumpkins — provide a less capital intensive entry into this economic sector.

While still relatively small in Minnesota’s overall agricultural economy, business models such as farmers’ markets, community supported agriculture (CSAs), pick-your-own farms, direct marketing to cooperative grocery stores, and farm-to-school programs give small and medium scale growers — those with less than $500,000 in annual farm sales — an outlet to sell their produce and farm-raised goods.

Estimates project farmers’ markets contribute up to $64 million in net economic impact, with CSAs contributing $10.5 million, according to surveys and modeling analysis conducted by Minnesota 2020 (MN2020) researchers Tyler Hanson and Zach Robbins.

While the majority of small and medium-scale growers are long-time Minnesotans who are predominantly non-minority, there are ample opportunities for minority and immigrant growers to join in this sector of the ag economy as entrepreneurs and not just workers.

This report diverges slightly from previous Minnesota 2020 Made in Minnesota analysis in that it looks beyond just cash register consequences of buying local to the broader intersections of economics, agriculture, and sociology.

Immigrants, refugees and new arrivals to Minnesota are revitalizing neighborhoods and entire communities.
Immigrants, refugees and new arrivals to Minnesota are revitalizing neighborhoods and entire communities. Some have moved past the ag economy into retail and other firms, becoming driving forces for entrepreneurship and new business development in both the metropolitan Twin Cities area and throughout Greater Minnesota where positive change is occurring. Public policies should support entrepreneurs and groups that make positive contributions to our shared economy.

Increasing locally grown products’ share of Minnesota’s economy maximizes the retention of each consumer’s dollar to more than 90 cents. As with all economic activity, multiplier effects further increase local spending benefits.

During the Great Recession and the slow economic recovery that has followed, MN2020 has annually promoted its Made in Minnesota online Gift Guide (and accompanying report) as a stimulus to the state and local economies. Reasons for doing so haven’t changed. The economy hasn’t improved substantially. Made in Minnesota 2011: Fertile Ground for Minority Opportunity provides microeconomic policy guidance while state and federal leaders work to stabilize the nation’s macroeconomics.

Minnesota 2020 has compiled this list of Minnesota owned shops and restaurants:

www.mn2020.org/giftguide
KEY FINDINGS

Building on food and agriculture strengths

✅ Agriculture has always been an entry to Minnesota’s economy for immigrants, refugees, young people and newcomers from other states.

✅ Mainstream and organic sectors of agriculture are capital-intensive and asset heavy, presenting a major barrier for entrance to agriculture.

✅ About 20 percent of all Minnesota jobs are now in handling, processing, packaging and serving food products.

✅ Minnesota’s agricultural infrastructure can support growth as new ethnic residents expand Minnesota’s diets and diversify the collective Minnesota cuisine. What’s more, Minnesota now has the resident talent to make the state a leading producer and marketer of halal food products for the nation’s growing Islamic population.

✅ Minnesota farmers’ markets contribute up to $64 million in annual net economic benefits (Hanson) while serving as an entryway into the ag economy.

✅ Community supported agriculture (CSA) accounts for an estimated $10.5 million in direct sales to more than 41,000 Minnesota customers (Robbins).

Diversifying from food and ag

✅ Immigrants and refugees are diversifying and spreading into non-food and agricultural economic activities, revitalizing neighborhoods, communities and entire cities.

✅ The ethnic economy of Minnesota is estimated at $12 billion annually and retail and service sales from minority-owned enterprises are estimated at $5.8 billion (Corrie and Buckner).

✅ Historic problems of capital formation, language issues and adjusting to local, state and federal regulations remain barriers for immigrant entrepreneurs.
RECOMMENDATIONS

✔ The Minnesota Legislature should invest in expanding the Minnesota Department of Employment and Economic Development (DEED) and its Small Business Development Centers. Greater cultural awareness and expertise would help with outreach and training for aspiring ethnic entrepreneurs.

✔ Minnesota state agencies should build stronger partnerships with local government agencies and nonprofit organizations to clearly define duties and roles for outreach and training services.

✔ Minnesota’s Office of Tourism should develop a brochure guiding travelers who want to explore the state’s international cultural venues and markets, similar to the Minnesota Department of Agriculture’s Minnesota Grown directory.

✔ The state should invest in identifying and building farm-to-table opportunities for small- and medium-scale farmers and ethnic growers to serve changing Minnesota demographics and customers who want to support local farmers and food companies (McBeth, Meter).

✔ State leaders, business groups and researchers must urge Minnesota’s congressional delegation to prevent threatened cuts in the U.S. Census Bureau’s surveys of agriculture and business ownership (Reamer).

✔ State policymakers, Minnesota’s agribusiness leaders, ethnic groups, nonprofit organizations and religious leaders must work collaboratively to create a halal meat industry, which could create hundreds of jobs, and further diversify agriculture for small and mid-size farm operators.
INTRODUCTION

In earlier decades of Minnesota history, the lure of land on the frontier attracted waves of immigrants from Germany, Ireland, the Scandinavian countries, Great Britain, the Netherlands and Belgium, and, in some cases around the Twin Cities, Italians and Eastern Europeans.

Promotions by the railroads, especially the Great Northern and Northern Pacific railroads, attracted immigrants with wild claims of Minnesota land fertility and opportunities (Drache). These promotions were largely built on federal policy, the Homestead Act of 1862, which offered free land (160 acres) to immigrants and new arrivals from the populous Eastern states seeking to take up “homesteading” west of the Mississippi River.

That initial appeal for settlement was hugely successful from a public policy standpoint, but it did provoke unintended consequences (The Dakota Conflict). By 1870, the U.S. Census found that 65 percent of Minnesotans were either foreign born or children of immigrants.

In fairness to later arrivals to Minnesota, it needs to be noted that early settlers came in pursuit of opportunity as well as a government handout—free and inexpensive land. Later arrivals have come to pursue opportunities aided by far less government assistance.

From early settlers onward, perhaps one child of the new Minnesota family would inherit the homestead. Other children would become nearby merchants. Some went off to colleges and “normal” schools to become schoolteachers. Others would find their way to seminaries and pulpits or go into other professions, and still others would leave the state in search of the “American Dream” elsewhere. Minnesota was quickly settled; in turn, it started exporting people, commodities and products to wherever opportunities existed.

Vince Xiong, a new farmer in the Stillwater area, embodies the entire Minnesota experience from farm to education to diversified business and professional enterprise. Now 36, Xiong had a career in technology sales and operations before returning to farming three years ago. He rents land made available by the Minnesota Food Association and he has become the second Minnesota Hmong farmer to become certified as an organic grower.
“I surprised a lot of friends and my family when I went into agriculture,” he said in an interview. “But this is what I want to do.”

It means that down the road he will need to buy land and additional equipment that will make him more like the conventional farmers in Minnesota, he said. In his favor, however, he will not need the huge land holdings to grow vegetable and fruit produce for local markets like the acreage needed by Minnesota corn and soybean farmers.

“It is a big expense to get into farming,” he says. Adding to startup costs are higher personal, or household costs, such as health insurance that was partly provided in the past through non-farm employment.

New settlers, such as the Hmong from Laos and Cambodia via refugee camps in Thailand, the Karen from Myanmar (Burma), join recent waves of immigrants from Russia, Eritrea, Somalia, the Sudan, Ethiopia, Bosnia, Mexico, and various Central and South America countries. Minnesotans now comprise people from more than 150 nations. Some are refugees. Others are not. All come looking for economic opportunities to better themselves and their families.

Nonetheless, Minnesota was settled and continues to change and grow from the ground up. Agriculture and downstream component parts of the food chain remain an attraction to new citizens seeking new opportunities.
I. AGRICULTURE AS ENTRY POINT TO ENTREPRENEURSHIP

From the earliest days of frontier settlement through the past 25 years, the opportunity of agriculture has been a major attraction for migration to Minnesota. Initially, it was “traditional,” or “conventional” agriculture, as encouraged by the free land of the Homestead Act and the ability to buy additional land from the federal government at $1.25 per acre.

In modern times, entry into agriculture has been through labor intensive, specialty crop and livestock production—not the capital-intensive agriculture represented by the approximately 25,000 Minnesota conventional crop and livestock farm units that remain from historical settlement (Nordquist).

Immigrants, especially refugees, have almost no access to buy into existing commercial agriculture given contemporary land and farm equipment costs. The initial entry costs are too great; the volatility of year-to-year changes in the agricultural economy is too profound for new entrants to endure. In 2008 the farm economy was an “up” year, 2009 was a “down” year, and 2010 was again an “up” year.

Immigrants, especially refugees, have almost no access to buy into existing commercial agriculture given contemporary land and farm equipment costs.

This was borne out in a report for the Minnesota Extension Service and Minnesota Department of Agriculture, titled “2010 in Review: FINBIN Report of Minnesota Farm Finances.” In its report on the 2,446 Minnesota “conventional” farms that participate in the joint Minnesota State Colleges and Universities (MnSCU) and University of Minnesota Farm Business Management Education program, median farm income was up 257 percent in 2010 from 2009, to $119,116 per farm from $33,373 per farm the year before.

That annual survey found farms had to generate more than $100,000 in gross farm product sales to generate significant net earnings. The average farm with less than $100,000 in gross agricultural revenue had a median average of $45,039 in non-farm income in 2010. In other words, what our homesteading ancestors would have considered good size farms are now “hobby farms,” operated on the side while families depend on off-farm income.
In an article distributed by the Minnesota Extension Service and published in Western Minnesota (Farm Focus), Nordquist also noted that total assets per farm increased by more than $1.1 million, in constant 2010 dollars, over the past 15 years. Debt increased by about $500,000, so the median farm in the survey gained about $700,000 in real net worth in that period. On the downside, the same study found that the median farm needed annual gross income from $250,000 to $500,000 to meet family living expenses.

This is not a friendly agriculture for startup farmers, no matter where prospective farmers were born or their backgrounds and experience. It is a capital-intensive enterprise that can only encourage greater consolidated operations by well-financed family farm business operators.

In a separate study, Nordquist and Moynihan looked at organic farm performance in 2010. Growth in organic farm operations in Minnesota is starting to track with conventional farm ventures, and they are no longer just small and beginning farmers looking to supply niche, or value-added markets.

Compared with commercial, or conventional Minnesota farms, the average Minnesota organic farm had a return on assets ratio (ROA) of 7 percent. The conventional farms’ ROA was 12.6 percent.

Probably the most striking data comparisons, involve assets of the respective farms. Minnesota’s conventional farms had land, buildings and equipment assets averaging $2.2 million in 2010; organic farms had average assets of $1.2 million. The asset values of these two major types of Minnesota agriculture show why it is difficult for newcomers to enter conventional farming.

The late University of Minnesota economist Philip Raup warned this was coming. He said in a 1975 paper (Raup) that Minnesota was transitioning into “an inherited agriculture” reminiscent of old England and Europe. Entry costs of more than $250,000 three decades ago were preventing newcomers from entering agriculture.

Today, conventional agriculture’s entrance costs are between $1 million and $2.2 million.
**Immigration and opportunities in the food chain**

Newcomers can still enter Minnesota agriculture though small-scale, niche and specialty market types of farming and selling through “buy local” markets. Vince Xiong is such an entrepreneur. Helping make a market for such farmers are new food retailers, such as Nengma Vang, who sells locally grown fresh produce from metropolitan area farmers and imported specialty Asian fruits and produce brought in from Florida and California. She has a food stall in the Hmong Town Marketplace. These opportunities will be examined more closely in the next section of this paper.

The greatest opportunities for newcomers to Minnesota in the food and ag sectors, meanwhile, are in off-farm employment. For several decades, jobs in processing and handling farm commodities into value-added products have been a draw for new Minnesotans.

Exact demographic numbers from the 2010 Census for the food and ag sectors are not available at this point. But a look at population data for counties with large food and ag handling, processing and distribution employment sheds anecdotal evidence that food and ag remain draws to new residents, and, by extension, to new entrepreneurs.
**Population Change - Select Counties**

As the 2010 U.S. Census data in the table above shows, immigrants and minorities have helped many rural areas maintain population growth in a time when other areas were losing residents.

Most rural Minnesota counties that have major agricultural processing and manufacturing operations continue to see population increases. Olmsted is an exceptional case, given the huge Mayo Clinic and medical complex in the core city. Less well known to the general public, Rochester is also a major agricultural city for food processing, marketing and agricultural services.

### Population in Rural Counties with large Ag & food sectors

<table>
<thead>
<tr>
<th>County</th>
<th>Total Population</th>
<th>Black &amp; African American</th>
<th>Asian</th>
<th>Hispanic / Latino</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clay</td>
<td>51,229</td>
<td>58,999</td>
<td>268</td>
<td>842</td>
</tr>
<tr>
<td>Freeborn</td>
<td>32,584</td>
<td>31,255</td>
<td>79</td>
<td>231</td>
</tr>
<tr>
<td>Kandiyohi</td>
<td>41,203</td>
<td>42,239</td>
<td>209</td>
<td>984</td>
</tr>
<tr>
<td>Lyon</td>
<td>25,425</td>
<td>25,857</td>
<td>378</td>
<td>587</td>
</tr>
<tr>
<td>Mower</td>
<td>38,603</td>
<td>39,163</td>
<td>215</td>
<td>818</td>
</tr>
<tr>
<td>Nobles</td>
<td>20,832</td>
<td>21,378</td>
<td>223</td>
<td>743</td>
</tr>
<tr>
<td>Olmsted</td>
<td>124,277</td>
<td>144,248</td>
<td>3,330</td>
<td>6,870</td>
</tr>
<tr>
<td>Rice</td>
<td>56,665</td>
<td>64,142</td>
<td>932</td>
<td>2,072</td>
</tr>
</tbody>
</table>

### Metro Area Counties

<table>
<thead>
<tr>
<th>County</th>
<th>Total Population</th>
<th>Black &amp; African American</th>
<th>Asian</th>
<th>Hispanic / Latino</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anoka</td>
<td>298,084</td>
<td>330,844</td>
<td>6,282</td>
<td>14,503</td>
</tr>
<tr>
<td>Carver</td>
<td>70,205</td>
<td>91,042</td>
<td>603</td>
<td>1,124</td>
</tr>
<tr>
<td>Dakota</td>
<td>355,904</td>
<td>398,552</td>
<td>8,091</td>
<td>18,709</td>
</tr>
<tr>
<td>Hennepin</td>
<td>1,116,200</td>
<td>1,152,425</td>
<td>99,943</td>
<td>136,262</td>
</tr>
<tr>
<td>Ramsey</td>
<td>511,035</td>
<td>508,640</td>
<td>44,938</td>
<td>56,170</td>
</tr>
<tr>
<td>Scott</td>
<td>89,498</td>
<td>129,928</td>
<td>824</td>
<td>3,376</td>
</tr>
<tr>
<td>Washington</td>
<td>201,130</td>
<td>238,136</td>
<td>3,689</td>
<td>8,579</td>
</tr>
<tr>
<td>MINNESOTA</td>
<td>4,919,479</td>
<td>5,303,925</td>
<td>202,972</td>
<td>274,412</td>
</tr>
</tbody>
</table>

Kandiyohi County encompassing Willmar and surrounding communities currently has 11.2 percent of its population from various Hispanic and Latino backgrounds, and between 1,000 and 2,000 fairly recent immigrants and refugees from Somalia. Turkey production and food processing industries draw workers to the area.

In Albert Lea, a food processing city and service center, 13.2 percent of the 2010 city population was of Hispanic or Latino origin, and foreign born residents comprised 6.1 percent of the population. Meat packing city Austin is now 15.4 percent Hispanic or Latino, and Worthington, a meat packing and agricultural marketing and service center in far southwestern Minnesota, is probably the most diversified city out state.

The 2010 Census shows Worthington’s population grew 13.1 percent from 2000 and currently has 35.4 percent Hispanic and Latino residents, 5.5 percent who are listed as black, and 8.6 percent who are Asian. Combined, 18.5 percent of Worthington residents were born in another country.

Such rural food and agriculture centers are becoming more culturally and ethnically diverse than the state itself. It should also be noted that 43 rural Minnesota counties that do not have major agricultural processing and manufacturing plants continue to lose population, continuing trends established over decades and reflecting consolidation of farms into larger, less labor intensive operations.

Ken Meter, in an analysis for Blue Cross and Blue Shield of Minnesota, offered this 2009 sketch of the Minnesota food and ag industries:

“Minnesota’s 80,000 farms, and 17,000 food-related businesses, support 101,000 farm operators and hire a combined 316,000 employees who earn $7.8 billion of wage and farm income.

“Of the state’s top 20 manufacturing firms, seven are food manufacturers and distributors. These seven earn $114 billion of revenue each year—65 percent of all sales made by the state’s leading firms.” (Meter)

Along a comparable line of research, regional economist Toby Madden at the Federal Reserve Bank of Minneapolis used 2008 data to show that food processing accounted for 13 percent of Minnesota’s manufacturing sector, or $4.4 billion, which makes Minnesota more dependent on food processing than the national average of 11.4 percent (Frisch).
The food and ag sectors continue to be draws for immigrants and refugees in the metropolitan Twin Cities area as well, made possible by local markets and by community business and service ventures that cater to the expanding and more diverse population.

Census data for 2010 show Hennepin and Ramsey counties, with core cities of Minneapolis and St. Paul, continuing to become more culturally diverse. Suburban counties reflect continuing urban sprawl that is starting to show slightly more cultural and ethnic inclusion.

These numbers support what is mostly known from anecdotal observations. The Twin Cities and key rural food industry cities are seeing growth in new entrepreneurs and new enterprises that have come with the food industry workers.

This expansion into diverse retailing and service industries will be examined in the third part of this report.
II. CHANGING SCALE, SCOPE AND OPPORTUNITIES IN AGRICULTURE

Farmers’ markets and direct farm sales to consumers have been an important marketing strategy for new entrants into agriculture since before Minnesota statehood in 1858. Sparsely populated settlements needed local suppliers to keep families in food. From statehood onwards, however, serving local markets has been a niche market for multiple generations of agriculturalists/ horticulturalists/farmers and for immigrants seeking entrance into less capital-intensive agriculture.

Economic Benefits of Farmers’ Markets

Although studies have been conducted in Iowa, West Virginia and Oklahoma, the exhaustive task of surveying vendors and consumers in order to estimate gross farmers’ market sales has not been undertaken in Minnesota.

MN2020 Undergraduate Research Fellow Tyler Hanson reached out to a wide number of farmers’ markets, from the metro to all corners of Greater Minnesota, attempting to collect and analyze sales data. Unfortunately, few farmers’ markets collected extensive data or were willing to share sales figures.

Hanson collected a limited amount of in-state information, including sales figures for Rochester’s farmers’ market and the U.S. Census of Agriculture data for Minnesota. Using this information combined with conclusions from previous studies in similarly situated farm states, Hanson modeled estimates to provide a rough idea of the economic importance of Minnesota farmers’ markets.

In 2007 (Census of Agriculture data), direct marketing sales in Minnesota totaled about $34.7 million, compared to $16.5 million in Iowa (Otto, Varner) and $7.1 million in West Virginia (Hughes et al.). Per capita, direct marking sales amount to $6.67 in Minnesota, $5.52 in Iowa, and $3.92 in West Virginia, so even controlling for population there are greater direct marketing sales in Minnesota.¹

While farmer’s markets only represent a portion of these direct sales, the Census of Ag data allows us to use Otto and Varner’s Iowa numbers to project what Minnesota farmers’ markets contribute. Assuming the proportion of farmers’ market sales to direct marketing sales are the same across states, we can estimate that Minnesota farmers’ market contributions are 2.1 times greater.

¹ Per capita direct sales statistics derived by dividing total direct sales by 2007 Census estimates for state population.
Based on 2009 vendor data, Otto and Varner estimated that Iowa’s farmer’s markets account for $11.2 million in gross sales. Using the 2.1 factor, we can estimate that Minnesota farmers’ markets account for $23.5 million in sales.

However, vendor data is known to be grossly understated. Therefore, Otto and Varner also calculated Iowa farmers’ market sales based on consumer data. While consumer data tends to be slightly inflated, it is considered to be more accurate than vendor data.

Using Otto and Varner’s consumer sales figure of $38.4 million and multiplying it by 2.1, we can estimate that Minnesota farmer’s markets have roughly $80.6 million in sales.

To determine farmers’ markets’ overall economic impact (IMPLAN), Otto and Varner calculated an economic multiplier of 1.55 for Iowa’s farmers’ markets. Applying this multiplier to Minnesota finds as much as $125 million of economic activity can be attributed to Minnesota’s farmers’ markets as of 2009, the last year for which complete data were available.

Hanson further notes that not all gross and net sales or multiplier effects from the farm producers for farmers’ markets should be viewed as net gains in economic activity. He looks at the market displacement or opportunity costs and applies them to Minnesota data. These would include lost sales at other food retailers, and jobs at those establishments, that result from farmers’ market activity.

While the Iowa research doesn’t account for opportunity costs, a similar West Virginia study does. Using that methodology, Minnesota’s opportunity costs is $61.5 million, providing a net economic impact of $63.5 million for the state’s farmers’ markets.
Economic Benefits of CSAs

Community Supported Agriculture (CSA) is in its infancy and is facing challenges in trying to reach adolescence. The CSA movement in Minnesota has experienced rapid growth in the past two decades, growing from two farms in the early 1980s to more than 360 in 2007 (Robbins). That does not, include nearby CSA farms in neighboring Wisconsin counties that sell and distribute to homes in the metropolitan Twin Cities area and other border cities.

While farmers throughout state history have had informal arrangements delivering food to neighbors and nearby towns in direct marketing schemes, the current CSA movement traces its origins to Japan in the 1960s. That’s when Japanese women became concerned about food safety and food quality. They formed what was known as the Teikei system, which translates into “Putting the farmer’s face on the food.”

This movement spread to New England and from there to the Midwest. For purposes of this report, CSA is defined as a type of marketing in which the farmer sells directly to the consumer. The consumer buys a “share” of the season’s produce before the growing season begins and thus gets a weekly distribution of the farm’s production. Contracts for “shares” may vary, but usually it means the consumer is actually sharing in the risk of the growing season with the farmer should severe weather interfere with production.

This farm to doorstep strategy for “buying local” has not been studied in depth although health and applied economics studies constantly shed fresh light on human health and economic benefits of this system (Robbins). For these reasons, Minnesota 2020 conducted a survey of 173 Minnesota CSA farms to begin quantifying the economic situation within this market with a goal of finding public policy recommendations to support this subset of the local food industry. The survey received responses from 84 farms, or a response rate of 49 percent, that leaves a tolerable but not ideal margin of error of about 7 percent.
Graph 1: Experience as a CSA, 2011

- First Year: 15%
- 1-3 years: 36%
- 4-9 years: 42%
- 10-20 years: 7%

Graph 2: MN CSA Farm Sizes, 2011

- Small: 71%
- Medium: 27%
- Large: 2%

Small Farm: Less than $50,000 annual sales
Medium Farm: Sales between $50,000 and $500,000
Large Farm: More than $500,000 annual farm sales

Graph 3: Number of CSA Shares, 2011

- 1-29 shares: 51%
- 30-99 shares: 24%
- 100-199 shares: 20%
- 200 and up: 5%
Here are key findings from the Robbins research:

- There were 21,000 shares of CSA farm production purchased in Minnesota this past year. This produced farm revenue of about $10.5 million, a mere fraction of Minnesota’s $13.2 billion farming industry, and supplied about one percent of Minnesota’s annual produce consumption and about a tenth of one percent of Minnesota’s meat consumption.

- This consumption would have a larger impact on Minnesota’s economy; however, as these local sales would keep nearly all of the food value home in the local economy (except for petroleum and other production costs). They also contribute to improvements in overall health (Brown, Miller), which have not been completely measured.

- High, upfront costs are discouraging more urban families from buying CSA shares even though CSA food costs compare favorably in government studies (Bureau of Labor Statistics).

- A draw for people entering into CSA production is the focus on sustainable agriculture, with 93 percent of responding farms reporting they are either chemical-free or organic.

- CSA farms tend to be small and 77 percent of farmers reported they have additional market outlets, such as selling to food co-ops, schools and farmers’ markets.
III. UPWARDS AND ONWARDS

From Europeans to Minnesota’s newest settlers, some members of agrarian families eventually move off the farm and start new enterprises. Many Hmong, Hispanics and Somalis who found early work in agriculture or food processing are sending their children off to college. Others are moving into businesses far from the fields or on rural Minnesota’s Main Streets.

Historian Joseph Amato was one of the first to take a comprehensive look at changing regional demographics in southwestern Minnesota (Amato). He noted how formerly migrant Mexican and Latino farm workers were planting roots in Minnesota communities. Similar changes were happening statewide.

In a comprehensive 2010 study, University of Minnesota researchers noted that immigrant labor accounted for one-fifth of Minnesota’s workforce in manufacturing, education and health and social services. Business ownership by foreign-born entrepreneurs accounted for only 3 percent of Minnesota ventures. As new census figures are released, that number will likely increase. (Fennelly and Huart).

Using updated information where data are available, Concordia University business and organizational leadership dean Bruce Corrie has been assessing ethnic group economic impacts as part of his Emerging Markets Series (Corrie and www.ethnictrends.info).

Here are selected findings from his series:

ALANA (African Latino Asian and Native American firms) – Using 2007 Economic Census data, Corrie found that minority firms in Minnesota had total revenue of $5.8 billion and employed about 40,000 people. Revenue at minority-owned firms increased by 83 percent between the 2002 and 2007 Census of business owners, compared to 30 percent for all Minnesota firms. Latino firms’ revenues grew by 248 percent in that period, the second highest growth rate in the nation; and the number of minority-owned businesses grew by 43 percent, compared to 12 percent for all business owners.

Asian Owned Firms – Again using data from the Census Bureau’s Survey of Business Owners, released in early 2011, Corrie found 11,382 Asian-owned businesses in Minnesota that generate $2.4 billion in revenue and employ 17,465 people. Hennepin County accounted for $1 billion of the revenue total.

Less specific information about the Hmong population is available from the survey. Corrie said the Hmong in Minnesota would dominate the survey category of “other Asian owned firms,” for which there were 3,271 such firms with $507 million in 2007 revenue.
Somali Economic Contributions – Estimates of Somali population and economic impacts are provided from preliminary studies by the African Development Center of 600 businesses now owned by Somali immigrants. If a low population estimate of 25,000 Somalis living in Minnesota is accurate, they would be projected to have $164 million in group purchasing power. If a higher 60,000 estimate of population from the Somali community is accurate, they would have projected $394 million in purchasing power.

2010 Census takers actually found 37,000 Somalis in Minnesota, which doesn’t count new arrivals during the past 18 months. Further, as with all recent immigrants and refugees, the actual group population is believed to be understated.

Ethnic Capital – In a synopsis of trends (The Dynamic Power of Ethnic Capital in Minnesota), Corrie found that ethnic groups represent a $12 billion annual market in purchasing power, are creating more firms than the economy at large, and are contributing to the state’s culture and quality of life through dance, music, theater, food and art forms. Moreover, he noted, the ethnic communities contribute high-skilled professionals such as scientists and medical doctors to essential service workers, such as roofers, construction workers, food processors and agricultural workers.

Worldwide Look: Farm-to-City Population Shifts

By 1999, researchers in the Netherlands began examining how new immigrants were changing the complexion and economies of Dutch cities (Kloosterman). Their work was part of companion studies underway in Great Britain, France, Germany and Israel.

Immigrant entrepreneurs made Dutch cities more “cosmopolitan,” like New York, Los Angeles, London, Paris and Marseille, the researchers wrote. These new entrepreneurs were affecting their cities in unexpected ways. Among those cited were “revitalizing formerly derelict shopping streets,” introducing new products and marketing strategies, restoring community cohesion, and opening trade links to previously unconnected nations and cultures.

From 20 percent to 40 percent of new enterprises, depending on various food and retail sectors, were started and operated by immigrants in the four largest cities in Holland.

At the same time, University of California at Berkeley research professor AnnaLee Saxenian (cited by Wadwa et al) began studying immigrant contributions to California’s economy and noted that Chinese and Indian engineers were in charge of 24 percent of technology companies started in Silicon Valley during the 1980s and 1990s.

Food and agriculture’s lure of immigrants to California was well known. The attraction of high science and technology, however, put immigration in a broader light.
Expanding Minnesota

The horizontal extension into business, services and industry and away from dependence on food and agriculture sectors is becoming highly visible in Minnesota. Exact counts for such enterprises are difficult to determine under Minnesota and local licensing requirements, said Ellen Muller, economic development manager for the Planning and Economic Development Office in St. Paul. For instance, some licenses don’t distinguish between startup companies and changes of ownership.

Regardless, Minnesota has several noteworthy examples of marketplaces that serve as “opportunity centers” for entrepreneurs. These include marketplaces, or shopping centers, owned by private companies or individuals who make space available for startups. They also include “incubators,” or properties purchased and renovated by government agencies or nonprofit organizations with the specific aim of encouraging new entrepreneurs. The incubator owners usually offer a wide range of services to help businesses start, expand, and profit.

Whether privately owned or an incubator, what we will call opportunity centers for purposes of this paper offer startup entrepreneurs benefits of scale and scope. Operating in open or indoor market places cuts startup costs when compared to renting or buying stand alone commercial space. Businesses share utility, marketing and other overhead costs, and have an advantage over traditional storefronts in drawing foot traffic and customers. In that regard, these centers possess the same market draw as a long established farmers’ market.

Consider these examples of what are clearly opportunity centers for new Minnesotans:

Hmong Town Marketplace – Still in development stages, Hmong Town near the State Capitol in St. Paul is reminiscent of “China Towns” in San Francisco, Los Angeles, New York and other U.S. cities. There are a smattering of shops selling products from other Asian cultures and a few produce vendors selling Asian produce that have been imported and are now grown in more tropical U.S. climates, along with Minnesota-grown produce.

Hmong Town is a cultural experience for area Hmong families looking for a central market, and for multigenerational, non-Asian Minnesota families looking for a fun outing and new tastes and sounds.
This will be a destination point for tour groups and others down the road, said marketplace owner Toua Xiong. “We’re not ready to do that kind of promotion yet,” he recently told a visiting group. A large parking lot needs to be resurfaced to accommodate more visitors, he said. And he’s working on enclosing more of the open air vending stalls to accommodate year around sales for more of his tenants.

Hmong Town currently has more than 200 retail and service shops and offices indoors. Another 150 vendors sell their wares in open air space in what formerly was a large lumberyard. While these vendors have a roof over their heads and their merchandise, they are currently missing at least one exterior wall, which suggests these businesses will be seasonal.

Xiong said he doesn’t know how many of the 350 tenants are new entrepreneurs and how many have drifted from other locations in hopes the central market will make for more foot traffic and generate sales. But from personal contact, he said he knows a huge percentage of the vendors are new business people.

Getting financing to finish development and improvements is still tough, given the newness of large-scale enterprises, Xiong said. “We don’t have credit records (that would) make banks comfortable,” he said. But that, too, is changing.

Xiong has made office space available for law, tax and accounting professionals who, in turn, can help the new entrepreneurs get legal work, tax information and credit information in order for future growth and business development.

“We can’t force anyone to use these (services),” he said. But by word of mouth, he added, tenants are learning to have good books and better business practices.

Hmong Town’s large, open air market areas offer inexpensive rental space for sellers of arts and crafts, clothing, and for locally grown Hmong produce from metro area farmers who may or may not also be members of the St. Paul Farmers Market association and sell at other locations.

Hmong Village – This indoor, primarily Hmong shopping center opened in October 2010 at the intersection of Phalen Boulevard and Johnson Parkway on St. Paul’s East Side. Within a matter of a few weeks, the transformed former warehouse for St. Paul Public Schools had 100 percent occupancy and has maintained that rate through the first year.

This means there are currently 320 retailers, restaurateurs and services operators doing business from Hmong Village. At least 300 of them could be called new entrepreneurs with start up companies, owners of the shopping center said at a recent luncheon meeting. What’s more, there is a list of prospective entrepreneurs waiting for space to become available.

Yong Yia Vang, president of the parent shopping center company, said some retail stalls and businesses have changed hands during the first year. Reflecting farm and food industry trends, the number of fresh produce vendors in the centralized produce marketplace declined from 31 sellers to 15, with the remaining vendors taking over more space and expanding the variety and quantity of products they sell.
But also reflecting the diversification of business and services from Minnesota immigrants and refugees, other Hmong Village tenants include 241 general merchandise retailers, 42 offices for professional and other services, 17 restaurants, and three separate sellers of pre-packaged food products.

Services operating from office space in the complex include a neighborhood pharmacy, accounting and tax offices, photography studios, law offices, and Shong Yang’s Southeast Asian Health Service, Inc.

That service company works statewide from Hmong Village and helps locate personal care providers for the disabled and elderly. This is a special challenge within language groups, Yang noted. But it is an increasingly important service for Minnesota in general with “baby boomers” reaching retirement age and with urban neighborhoods and small towns experiencing aging populations.

Midtown Global Market – Unlike the Hmong market developments cited above, Midtown Global Marketplace is actually an incubator site promoted by the extraordinary Neighborhood Development Center (Schauben).

The 35 permanent tenants in this Minneapolis Lake Street site have a distinctive international flair, but with local artisans and others who rent occasional vendor tables, the marketplace offers products from 53 different business ventures.

Kimberly Hanna, the market coordinator, said vendors represent people and products from five continents. Categories include specialty groceries, meats and fish, fresh produce and bulk foods, coffees and espressos, bakery and confection products, flowers and plants, and various arts, gift products and jewelry.

Midtown Global Market has become a destination for school classes and tour groups, Hanna said. Bus loads simply show up, so she doesn’t know an exact count of how many groups or people are coming by. She works with 10 to 12 groups arranging tours each year, and they’ve included groups from Iowa, Wisconsin, South Dakota and communities throughout Minnesota.
There is still a strong food connection to these enterprises. But they also represent the diversification of entrepreneurs found throughout the state, and is an anchor in the revitalization occurring along Lake Street. That was borne out in a Wilder Foundation study (Schauben) of Neighborhood Development Center training, financing, small business consulting and collaborative projects with other nonprofit organizations and government agencies. Wilder found 137 entrepreneurs who are alumni of NDC training classes in business within a one-mile circle around Midtown Global. These entrepreneurs have created 480 jobs and return an estimated $13.4 million annually to the neighborhood.

Other international-focused incubators – New residents to Minnesota are reviving commercial property in communities throughout the state and are starting businesses after other firms simply expired, moved to bigger buildings, or had other reasons to abandon properties. This is evident along main streets and in shopping malls in Austin, Albert Lea, Rochester, Worthington, Willmar, Crookston, Moorhead, and small cities surrounding these rural marketing and manufacturing cities.

It is especially apparent in inner-city neighborhoods of the Twin Cities where NDC and real estate partner groups have redeveloped properties that serve as incubators for small business and new entrepreneurs. With the development of Frogtown Square along University Avenue in St. Paul in 2010, these incubators now include:

Mercado Central and Plaza Verde on Lake Street in Minneapolis, both about six blocks east of Midtown Global Market; the Old Swedish Bank Building on Payne Avenue in St. Paul, and the Frogtown Entrepreneur Center at University and Dale, also in St. Paul, are NDC’s other principal incubators.

All told, NPC has supported more than 500 entrepreneurs in recent years who in turn employ more than 2,000 people in what were once considered blighted or under served communities in transition.

Other nonprofit organizations and community support groups also noted community attitudes to encourage entrepreneurship in their communities.
The Minneapolis-based African Development Center (ADC) supports African and African-American entrepreneurs in a variety of ways, and it works with other groups. This has led to ADC expanding into rural Minnesota. Much of its work involves outreach to new immigrants and refugees from Somalia and northeast Africa.

Along those lines, ADC opened an office this past March in Rochester, which was an early destination spot for Somalia refugees in the 1990s. And in September, ADC opened an office in Willmar where nearly 2,000 Somalis are now believed to live.

A spokeswoman said a community survey ADC conducted with the Willmar Area Chamber of Commerce identified at least a dozen prospective entrepreneurs who will start new businesses if given business training and assistance. That will be a goal for the coming year.

Among its services, ADC has helped aspiring entrepreneurs secure startup capital and arrange lending consistent with Islamic prohibitions on charging interest (usury). While this is working, to an extent, ADC executive director Hussein Samatar said banks remain “risk averse” and accessing business loans is extremely difficult.

Nonetheless, ethnic groups are making “dents” in helping entrepreneurs start businesses across varied commerce and industry sectors. But so far, he said, Minnesota is missing the boat in not going back to food and agriculture roots to develop a special meat industry for Muslim Americans.

Minnesota farmers and meat industry personnel could dominate the halal meat industry just like they dominate the nation’s turkey industry with growers and processing plants at Willmar, Samatar said.

“We could supply the nation from here,” he said. And for the estimated 190,000 Somalis and northeast Africans—most of whom are Muslim—“this would be ‘buying local’,” he added.

**Assimilation and ‘Mainstream’ Enterprises** – The sign above the Farmers Insurance Group office on White Bear Avenue on St. Paul’s East Side shows the ultimate merging of “old Minnesota” with “new Minnesota”: Vang & Larson Agency.

It is the beacon for an insurance office serving a multicultural neighborhood where long-established families of “East Siders” share community with new arrivals with Asian, African and Hispanic/Latino ethnic backgrounds.

Berent Larson offered a chuckle at the suggestion the shared insurance offices are symbolic of the emerging, assimilated Minnesota marketplace. Then, he offers evidence that it is so.

“We are long-time friends,” Larson explained. He is a native of Forest Lake. Yang Vang grew up in St. Paul. They opened their office four years ago when insurance district personnel were changing.

Thus, an old Minnesota immigrants’ family name has merged with a new Minnesota family name, doing business as usual through an enterprise built on friendship. The office location is further testimony to East Side business assimilation.
It is housed in a new strip mall known as Hafner Center where a large and long-time restaurant, bowling alley and nightclub stood for decades. Other occupants in the area include the Tio Santiago Bakery, Carnicerta el Qietza and El Quentzal Market, Ming’s Garden Restaurant and Chinese food carry-out, and the Khw Hmoob Eastside Deli & Grocery. Across the street, one of Minnesota’s oldest Minnesota-based Dairy Queen stores serves Blizzards, Dilly Bars and soft cone specialties to the entire neighborhood.

Elsewhere around the Twin Cities, assimilation of new and old takes many forms as businesses expand and cater to ever-increasing cosmopolitan clientele. This is especially apparent with the food and restaurant establishments that keep expanding the tastes and cuisines of modern Minnesotans.

For instance, Mexican restaurants reflect French cuisine ties that are different from other Hispanic/Latino fare and from the shared, regional recipes of American Southwest restaurants, often referred to as “Tex-Mex” fare. And Vietnamese restaurants also reflect French colonial era influences that make Vietnamese cuisine different form other Asian recipes.

We have always had “fusion” of ethnicity and food, as represented by the well-known Sven & Ole’s Pizzeria that serves North Shore tourists at Grand Marais. But among the best examples of how new entrepreneurs cater to the expanding tastes of Minnesotans is the Cave Café food truck that works different neighborhoods in the Twin Cities.

The Cave (www.thecavecafe.net) identifies itself as an “Afro-Italiano Fusion” café. Operated by immigrants from Ethiopia and Eritrea, where colonial era linkages with Italy influenced northeast African cuisine, the food truck’s breakfast and luncheon menu offers a mix of African, Italian and basic American dishes and sandwiches.

Such new ventures are impacting the Minnesota economy. And they are creating a Minnesota appetite for change.
CONCLUSION

A new Minnesota is taking shape right before our eyes, if we look around.

New merchants, new service providers, new professionals are reinvigorating neighborhoods of cities and rural communities that have been in economic and demographic decline until recent times.

This new energy comes while Minnesota and most of the nation looks for an economic restoration from the Great Recession of 2008-2009 and the slow recovery that has followed. Corporations have stockpiled great wealth in the interim, waiting to detect global signals before launching new rounds of mergers and acquisitions, new business expansions, and new subsidiary ventures that may actually create jobs.

That isn’t happening.

Instead, economic and business growth is largely coming from new entrepreneurs that more often than not are immigrants and refugees seeking opportunity in Minnesota. Ellen Muller, a St. Paul economic development official, doesn’t have exact data sets for comparison, but she said St. Paul would easily match the immigrant startup business success Kloosterman and others have found in Europe. Sheer numbers of new businesses along University Avenue, in the Hmong markets and similar developments in scattered commercial properties suggest that immigrant and refugee entrepreneurship is every bit as great in St. Paul as in Amsterdam and Rotterdam, New York or Los Angeles.

This is happening.

Progress in economic and community development is primarily aided by nonprofit, community organizations that have recruited cultural expertise to work with Minnesota’s newest entrepreneurs. Western State Bank in St. Paul started the Neighborhood Development Center with its extensive programs as a neighborhood revitalization initiative in 1993. NDC’s successes have inspired other groups, and the state has pitched in with the Chicano Latino Affairs Council.

Still, new residents and prospective entrepreneurs have difficulty learning about and accessing federal and state programs that could help with everything from startup and business loans to complying with regulations, said Hli Xyooj, a staff attorney and Hmong community outreach coordinator for the Farmers Legal Action Group (FLAG) nonprofit organization.

Language problems are common for many newcomers, she said. That partly explains why prospective farmers and other entrepreneurs don’t learn about available public services. Adding to that is a general distrust of government that is especially widespread among refugees who have come here after escaping problems “back home.”
“It takes time to learn you can trust government,” she said.

This also shows why government agencies at various levels need to work in tandem with nonprofit community organizations that have established outreach ties within new communities. This applies as well to private enterprises, such as banks that would be lenders to the new communities.

Xyooj said immigrant and refugee financial records and other paperwork are problems when seeking business loans and mortgages. Loans from uncles, parents or other relatives need to be reported as financial obligations even though such loans are considered a casual transaction within certain cultures, she said. What’s more, many ethnic entrepreneurs have been extremely frugal to this point and haven’t established credit records that would support commercial loans.

That was partly the problem when Hmong business people began planning for what is now Hmong Village in St. Paul. Banks rejected loan requests. The Hmong business leaders raised $6.5 million within the community to buy and renovate the property, but the owners said they are still cash strapped as they contemplate improvements.

The Hmong Village development occurred without any government assistance, said shopping center president Vang. “It would have been helpful. And it would still be helpful when we need more improvements and more parking,” he said.

Learning how to work with government and lenders are subjects studied by aspiring entrepreneurs who take business training classes from the NDC and its partners. In 2009, the last year for which data are available, 203 people took these courses, said Maren Misner, NDC’s training program and communications coordinator.

Of them, she said, 103 entrepreneurs were African Americans, 29 were of Hispanic origin, 27 were newly arrived Africans, 26 were European Americans, 11 were Native Americans, 5 were Asian Americans and 2 were simply listed as “other.”

Other NDC data of significance included a gender category for business training students. Nearly half, 48 percent, were women and reflect the modern American business climate rather than the patriarchal societies from where the students came.

Change is occurring and new Minnesotans are bringing it. State and local governments need to rationalize what they do with economic development programs to encourage the transition to a revitalized and prosperous new Minnesota. And we, as consumers, should give greater thought to how we buy local, and from whom we buy, to bring even greater bang for the buck.
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