

Iowa New Farm Family Project Overview

Recently, Iowa's 77 rural counties received "regional center" designation for participation in the EB-5 Immigrant Investor Pilot Program administered by the United States Citizenship and Immigration Service (USCIS). The Iowa Department of Economic Development and other partners submitted an application in February 2004 seeking approval in support of the Iowa New Farm Family Project. The Project began in Northeast Iowa over three-years ago for the purpose of inviting dairy farm families immigrating from The Netherlands to Iowa. Regional center status will offer other interested counties/communities the opportunity to participate if they desire.

The USCIS designation will grant immigrant dairy farm families permanent residency status under immigration law. As permanent residents, they are allowed to own farmland in Iowa. The immigrant families would receive a green-card, integrate as members of the community, and ultimately become U.S. citizens. The farm families are required to invest at least \$500,000 and create 10 jobs directly or indirectly statewide from the operation of their dairy farms. These requirements can be met with the family-based operations planned.

The Iowa New Farm Family Project was initiated by three Iowa communities (Stacyville, Brooklyn, and Butler County) that wanted to take action to address their future social and economic well-being. ISU Extension was asked to provide educational and facilitation assistance. Three guiding principles have been established. They are:

1. New host communities must participate in a **6 to 12 month** planning process to determine if the project is consistent with their long-term vision and to ready the community to receive new farm families.
2. Immigrant farm families would establish a base of operation on at least 40 to 80 acres, milk 250 to 500 cows, and contract with neighboring crop farmers to produce feedstuffs and apply manure. Exceptions to this general plan will be made at the host community level.
3. Growth and development of Iowa's dairy industry will occur in conjunction with the goals established and confirmed by the Iowa Dairy Summit sponsoring organizations. Once current goals are achieved, the sponsoring organizations will evaluate future potential and establish new goals as appropriate for the industry.

Several families from The Netherlands visited Iowa in 2003. A couple in their mid-30s, with two small children, is expected to immigrate to Butler County and establish a 300 cow dairy in 2005. Another newly married couple, in their early-20s, is working on a farm south of Parkersburg. They would like to become Iowans and start their own dairy someday.

Industry information:

Dairy industry: The U.S. dairy industry has undergone a major transition during the past 20 years. Nationally, the dairy industry is in a growth period. The demand for milk is growing, with most of the growth in cheese, and all indicators show that cheese consumption will continue to

increase. Commercial and consumer demand is growing nearly 2 percent per year. Production will need to grow by 1.7 to 3.5 billion pounds annually to meet the demand.

Iowa's Dairy Industry: Iowa's current dairy herd consists of 200,000 cows, ranking 12th in the U.S. Iowa is home to 19 major milk production facilities that need a steady supply of milk to continue production. At current production rates, Iowa dairy farmers are not supplying all the milk needed for local dairy product manufacturing needs, causing production facilities to import milk from as far away as Idaho and New Mexico. Thus, Iowa dairy farmers need to increase milk production so processors can continue to be reliable suppliers of their product in the national market. Iowa has the resources and the infrastructure to take advantage of this opportunity. Unfortunately, the declining state of Iowa's rural economy makes such an increase difficult without an infusion of capital and people.

Iowa currently processes approximately 5.2 billion pounds of milk per year of which approximately 3.8 billion pounds is produced in-state. This translates into 25-26% of the milk supply being imported to fulfill processing capacity. Anecdotal evidence indicates that: 1) most, if not all, of the processors have the capacity and desire to process more milk, 2) many are concerned about the long-term future of the Iowa milk supply, and 3) expansion of existing plants and new plants are probable if the milk supply is stabilized and grows.

Why 77 counties?

The primary purpose of an EB-5 Immigrant Investor Pilot Program regional center is to spur social and economic development in disadvantaged regions of the country.

Iowa is a rural state with 99 counties. According to the 2000 U.S. Census, 77 of Iowa's counties are considered as rural or small urban. A rural county does not contain a community of at least 2,500 persons (2,500 is the census definition of an urban place). A small urban county has fewer than 20,000 persons living in all urban places in the county.

The state of Iowa's rural economy and its projected future challenges, if current trends are not reversed, must be understood to fully appreciate the scope of the Iowa New Farm Family Project. Although Iowa continues to be a leader in many agricultural production and exporting categories, income and growth continue to be lower in rural areas than in urban areas. From 1990 to 2000, per capita income growth lagged in the 77 rural and small urban (rural) counties as compared to the 22 metro and large urban (urban) counties. Per capita income in 2000 was 17% lower in the rural counties than in the urban counties. In the same ten-year period, the increase in earnings from work in the rural counties was 12% less than in the urban counties. By the year 2000, earnings from work were 30% lower in the rural counties than in the urban counties. Between 1990 and 2000, only 29% of non-farm job growth in Iowa occurred in the rural counties.

Shrinking rural populations are a fundamental concern along with the resulting impact on the work force and the local tax base. Through a combination of these factors some communities are struggling to provide basic services such as fire and police protection. This problem is acute in Iowa. In the decade from 1990 to 2000, Iowa's population grew by 5.4% or 149,569 people. Only 7% of this growth occurred in the rural counties. Forty-five of Iowa's 77 rural counties recorded a population decline during the last decade.

The "graying" of Iowa's rural population is another serious concern. The median age of Iowa's male population is 49.1 years and the median age of females in Iowa is 50.9 years. The number of children fell by 8,849 in the rural counties compared to growth by 23,607 in the urban counties during the decade from 1990 to 2000.

An aging and declining rural population is having a critical impact on the farming sector. According to the 1997 Census of Agriculture, the average age of the Iowa farm operator is 52.4 years and it continues to increase. The age distribution of Iowa farmers has changed dramatically in the past twenty years. In 1982, almost three times as many farmers were under age 35 as over age 65. By 1997 those numbers had reversed. In the early part of the 20th Century, about 3 of every 10 farms in Iowa (approximately 50,000 farms) were operated by persons under the age of 35. At the close of the century, young farmers accounted for fewer than 10 percent of all operators in the state and they operated fewer than 10,000 farms in total. One Iowa farm family grows enough food and fiber to feed 279 people, one-fourth of whom live overseas. Unfortunately, the number of farms in Iowa continues to drop. Since 1993, the number of farms has decreased by at least 1,000 each year. In 2002, there were 92,500 farms, down from 102,000 in 1993.

Another problem being experienced by rural communities is their remoteness. Limited exposure to policymakers and influence in the political process has resulted in the deterioration of the quality of rural infrastructure such as roads, bridges, water and sewer systems, and the continued lack of internet and the digital services. Access to venture capital sources is very limited. As banks consolidate, even traditional sources of capital are becoming more remote. Rural communities have 19.2% of all U.S. business establishments, yet only 1.6% of all venture capital investments went to rural firms. Approximately two-thirds of all venture capital investments go to 5 states, Iowa not being one of them. The state ranks 42nd in terms of venture capital invested as a percentage of Gross State Product. Iowa ranked 50th in the nation in terms of business establishment and employment growth. On a global scale, Iowa ranks 46th in terms of foreign direct investment.

Iowa is still a good place to live, raise a family, and conduct business despite all the social and economic realities. Iowa ranks second in terms of business closings and contraction rates. This indicates that while few new businesses are starting up in Iowa, those that do, continue. The Iowa New Farm Family Project is an effort in which Iowans are working together to bring growth and vitality to the state's dairy industry. Opportunity exists to enrich Iowa communities through the integration of young families who establish value-added agricultural businesses. These families will invest their capital locally, bring an entrepreneurial spirit, and help stabilize the rural population of their new communities.