



Rural **RESEARCH REPORT**

Winter 2006-2007
Volume 18, Issue 1

Published by the Illinois Institute for Rural Affairs

Stipes Hall 518
Western Illinois University
1 University Circle
Macomb, IL 61455-1390
309/298-2237

www.IIRA.org

Farm-Based Entrepreneurship for Farm and Community Economic Viability

by Peter F. Korsching with Carly Jacobs¹

Introduction

Rural communities are challenged to maintain economic and social vitality. Few are growing, some remain stable, and many are losing population. The problems rural communities face in addition to losing population include a loss of agricultural economic base, deterioration of the physical infrastructure of roads and bridges, closing of main street businesses, a shrinking tax base, and a loss of local leadership potential as the brightest of the young people leave for urban areas. Much of this decline is related to the loss of jobs as technology has replaced human labor in farming, fishing, mining, and in other extractive industries. The leaders of these rural communities are constantly searching for opportunities to replace lost jobs and restore economic viability.

Recruiting businesses or industries from the outside continues to be the strategy of choice for many community leaders and economic developers (McNamara, Kriesel, and Rainey 1995); however, communities often give away much more than they gain through incentives and concessions granted to attract these businesses. Furthermore, small, isolated rural communities are seldom selected by businesses seeking to relocate. Therefore, self-development strategies such as retention and expansion of existing businesses and entrepreneurship offer a more promising future for rural communities seeking economic revitalization (Green et al. 1990).

Entrepreneurship and the creation of new business enterprises have a great deal of potential for increasing

local economic activity in rural areas (Federal Reserve Bank of Kansas City 2001). Entrepreneurs, who have lived most or all of their lives in the local community, with strong ties to family and friends, are committed to their communities' welfare. Those individuals who have developed successful local businesses are more likely to reinvest profits from their businesses into their communities than are absentee-owned businesses. It follows that rural communities should invest economic development dollars in providing entrepreneurship support.

Unfortunately, research on policies and programs to facilitate and promote entrepreneurship in resource-poor rural communities is limited as is research on farmer entrepreneurs. Nonetheless, the 2003 Iowa Farm and Rural Life Poll found 21 percent of commercial farmers operated a business in addition to their farming operation, indicating that farm-based entrepreneurship is not an isolated practice (Korsching, Lasley, and Roelfs 2003).

This report presents the results of a survey of Iowa farmer entrepreneurs—farmers operating one or more businesses in addition to their regular farming operation. The report focuses on the motivations for starting businesses and the impacts of these businesses on local communities. Additional discussion addresses the nature of these businesses, the problems faced in starting and operating these ventures, the types of assistance needed and received, and the implications for developing other programs and policies to support local farmer entrepreneurs.

¹ The authors are Professor, Department of Sociology, Iowa State University, and graduate student, Department of Political Science, University of Nebraska—Lincoln, respectively.

Entrepreneurial Motivations and Potential Impacts

The entrepreneurship literature suggests that the factors influencing the entrepreneurial process are the environment or context within which the process takes place, the business opportunity, and the characteristics of the individual(s) founding the venture (Timmons 1999). The environment or context includes the local business climate, the degree to which local residents support or disparage risk taking in establishing a successful business, and the availability of the physical infrastructure needed to support a new venture. Business opportunities may range from small, home-based businesses to large ventures having several partners and multiple investors. Characteristics of the founders include the ability to recognize opportunities based upon nascent entrepreneurs' training, education, experiences, and creativity; the ability to face risk and uncertainty; and the motivations for starting and operating the business. Entrepreneurial ventures may be classified by differing growth potentials based on the farmer entrepreneur's motivations—developing entrepreneurs, no-growth/slow-growth entrepreneurs, and high-growth entrepreneurs.²

The developing entrepreneur is a nascent entrepreneur who has the potential to become an active entrepreneur given the right circumstances and support. Extant entrepreneurs can fit into either the no-growth/slow-growth or high-growth categories. The no-growth/slow-growth entrepreneurs may lack the motivation, capacity, or opportunity for greater growth and include survival and lifestyle entrepreneurs.

Survival farmer entrepreneurs struggle to achieve success, but may lack the skills or resources to recognize or capitalize on opportunities. Many are “forced” into entrepreneurship because they operate marginally profitable farms and need additional income to support the family or pay off farm debt (Arum 1997). Owing to a lack of other employment opportunities

or an unwillingness to work for someone else, creating a new business is perceived to be a reasonable alternative.

Lifestyle and high-growth farmer entrepreneurs, on the other hand, operate profitable farms. They have surplus resources such as time, knowledge, skills, and money, and they seek opportunities to invest those resources. Some farmers invest surplus resources by expanding the farming operation, but others become entrepreneurs through business diversification into new agricultural or nonagricultural enterprises.

Lifestyle entrepreneurs operate successful businesses, but often they have modest goals for growth and income because the businesses exist primarily to provide extra income to enhance a way of life (Henderson 2002). Although a farmer's interest for the business may not be expansive growth, the business may nevertheless provide the community with economic benefits by providing employment and income generation.

High-growth ventures, often referred to as “gazelles,” create new wealth by developing new products and processes and by developing new markets (Timmons 1999). The farmer entrepreneurs initiating these business ventures desire significant growth that may tap national and international markets and require the development or construction of substantial new physical infrastructure, all leading to considerable economic activity in jobs, income, and ancillary business establishment and growth.

In summary, the differing motivations of these three farm-based entrepreneur groups—survivor, lifestyle, and high-growth—result in differing impacts and benefits for their local communities.

Methods

Farmer entrepreneurs were defined as those farmers operating a business in addition to their regular farming operation. A letter was mailed to the 99 Iowa County Extension Education Directors (CEEDs) requesting names and contact information for up to three farmers who the CEEDs considered to be operating successful businesses in addition to their regular farming operations. The CEEDs were asked to include the name of the business and information on the nature of the business if that was not evident from the name.

Sixty-three CEEDs responded with 166 names of farmer entrepreneurs. From these submitted names, a sample of 43 farmer entrepreneurs was drawn of which 32 were ultimately interviewed. Nonrespondents included those who ceased operations or did not fit the study profile and included two individuals who declined the opportunity to participate in the study. As an exploratory study, the goal was to achieve a cross section of business types; thus, the sample was not randomly selected.

² Adapted from Wall and Macke (2004).

Entrepreneurs were interviewed in depth using a semi-structured interview schedule. Respondents were encouraged to comment on all questions, and those comments were recorded on the interview schedule. Interview topics included the source of the venture idea; relevant skills, education, and training; resource availability

such as financing and employee training; services and facilities availability such as telecommunications and transportation; identification of suppliers and customers; business goals; the role of community support in the launching and in the success of the venture; and the farmer entrepreneur's personal background information.

Farmer Entrepreneur and Business Characteristics

Of the 32 businesses, 23 were operated by men, women operated five businesses, and four businesses were operated by both spouses. Of the cases reported as being operated solely by men, however, many were discovered to have had help and support from their spouses. Twenty-three entrepreneurs were in the 40 to 50 age bracket, three were younger, and six were older. As a group, these entrepreneurs were well-educated with 28 (88%) of the farmers having had some college or a college degree. About two-thirds grew up in the community in which they lived, and the others had lived in the community for more than 20 years. Attachment to the local community was strong, as measured on a scale of 1 = not at all attached through 5 = very attached with a mean score of 4.3. All of the entrepreneurs interviewed had a farming background.

All but two of the businesses were started by the owners. The other two were purchased. Three-fourths (24) of the businesses were located on the entrepreneur's farm; the others were located in a nearby town. The businesses categorized by legal definition included 11 sole proprietorships, eight Subchapter S corporations, seven limited liability companies, four C-type corporations, one partnership, and one incorporated cooperative.

About two-thirds (22) of the businesses were farm- or agriculture-related. Of the agricultural businesses, ten produced some specialty or value-added type of agricultural commodity. Another four developed, manufactured, and/or sold crop or livestock machinery or equipment. Eight others provided production or marketing services to farmers. Of the nonfarm/non-agriculture-related businesses, four were retail sales operations, three were service-type businesses, two were manufacturing operations, and one was a real estate venture. Overall, two businesses were engaged in international sales, and all but two sold their products or services outside of the local area.

On average the entrepreneurs were members of about two-and-one-half local organizations other than a church or other religious organization. These individuals reported regularly attending meetings in fewer than two of these organizations and were officers or committee members in one. Twenty-three (72%) also belonged to one or more state, national, or international organizations related to their businesses.

Local Support of Entrepreneurship

We asked the farmer entrepreneurs about the need, availability, and adequacy of services commonly required by businesses (Table 1). All services were available to those needing them, and a majority of the entrepreneurs reported finding the services to be adequate.

as adequate. Of the 12 businesses (34%) needing air transportation, two-fifths (42%) rated it inadequate, primarily owing to distance and scheduling of the nearest commercial air service. Less than half (47%) of the businesses were dependent on water, and most were satisfied with water quality and quantity. Only two businesses required rail transportation support, and both felt such service was inadequate. Due to rail line abandonments, much of rural Iowa lacks convenient rail service.

The three most needed services were telephone service, Internet service, and truck transportation. Telephone service was universally needed and was critical to, and adequate for, almost all businesses (94 and 91%, respectively). Internet service and truck transportation followed closely behind telephone service in terms of need. Both were critical to about three-fourths of the businesses and were adequately provided for most. Three-fourths of the businesses needed overnight package delivery, and all but one rated the service

A series of questions focused on problems new and existing businesses might encounter (Table 2). If farmer entrepreneurs encountered a given problem, we asked them to explain how the problem was addressed and whether the community provided assistance for resolving the problem. The results

Table 1. Need, Availability, and Adequacy of Services Important to Businesses

	<i>Number and Percent of Needed or Critical Services</i>											
	<i>Not Needed</i>		<i>Needed But Not Critical</i>		<i>Critical</i>		<i>Not Available</i>		<i>Available But Not Adequate</i>		<i>Adequate</i>	
	<i>No.</i>	<i>%</i>	<i>No.</i>	<i>%</i>	<i>No.</i>	<i>%</i>	<i>No.</i>	<i>%</i>	<i>No.</i>	<i>%</i>	<i>No.</i>	<i>%</i>
Telephone service	0	0	2	6	30	94	0	0	3	9	29	91
Internet service	1	3	6	19	25	78	0	0	4	13	27	87
Truck transportation	4	13	4	13	24	75	0	0	5	18	23	82
Overnight package delivery	8	25	13	41	11	34	0	0	1	4	23	96
Water quality or quantity	17	53	1	3	14	44	0	0	2	13	13	87
Air transportation	20	63	9	28	3	6	0	0	5	42	7	58
Rail transportation	30	94	1	3	1	3	0	0	2	100	0	0

demonstrate that the problems encountered by farmer entrepreneurs in starting and operating their businesses are similar to those faced by all entrepreneurs. Three problems were more prominent than others, with about two-fifths of entrepreneurs stating they had experienced these problems.

Table 2. Number of Proprietors Experiencing Common Business Problems

<i>Problem</i>	<i>Number</i>	<i>Percent</i>
Identifying markets (distributors/wholesalers/retailers/customers)	13	41
Technical assistance for product and service development	12	38
Availability of financing	12	38
Availability of appropriately skilled workers	9	28
Business management assistance for starting and operating the business	8	25
Physical space for the business	6	19
Networking with other business owners	6	19
Identifying suppliers	4	13
Training for workers	2	6

The problem mentioned most often was the lack of resources for identifying appropriate markets. Those entrepreneurs marketing regionally around their home communities were unsure of their target customer groups, making their product advertising ineffective. Identifying markets was reported to be even more difficult for those marketing across the state line and across the nation. Several entrepreneurs mentioned a trial-and-error approach to identifying markets; identifying suppliers, on the other hand, was not a problem.

Technical assistance for product and service development was a problem for some entrepreneurs because no local individuals or organizations had relevant knowledge or expertise to provide assistance for their innovative enterprises. Those who sought assistance for agriculturally related businesses from a Small Business Development Center (SBDC) or Senior Corps of Retired Executives (SCORE) found that the organizations' personnel lacked expertise in agricultural businesses. Several entrepreneurs paid private firms for needed technical

assistance. Others were innovative and searched outside the state, using the latest networking technology, the Internet (Johannisson 2000), for assistance from their suppliers and from non-local individuals with similar businesses.

The availability of financing was a problem for many because local banks were reluctant to grant loans for what they perceived to be risky business ventures. One entrepreneur stated that his local banker was willing to loan him whatever money he needed to expand his farming operation, but he would not provide a loan to finance the business venture. Several entrepreneurs changed banks multiple times to obtain the necessary financing, and some switched from local to larger banks often located outside the state. A few entrepreneurs mentioned pursuing grants and forgivable loans with limited success; however, the majority of entrepreneurs indicated having had no problem with financing because they either financed their ventures themselves or sought additional financing from family members.

Just over one-fourth of the entrepreneurs reported that the availability of appropriately skilled workers was a problem, both for low- and high-skilled workers. In addition, high turnover rates with low-skilled workers created a constant need for workers not available locally. Entrepreneurs not citing availability of workers as a problem mentioned providing on-the-job training for employees or simply just doing the work themselves, thus accounting for the training of workers not being perceived as a problem.

Business management assistance for starting and operating the business also was a problem for one-fourth of the farmer entrepreneurs. For these entrepreneurs, and also for those who did not see it as a problem, the primary strategies used were self-training, reliance on a spouse or other family member who had relevant education or training in business management, or hiring professional help. A few respondents reported seeking assistance from an SBDC or a local community college.

With the majority of businesses located on the entrepreneurs' farms or in empty buildings in rural communities, physical space for the businesses was not a problem for most entrepreneurs; however, two businesses were prevented from expanding because of environmental restrictions from the Iowa Department of Natural Resources. Zoning also was a problem for several, especially where zoning for agricultural land preservation restricted nonfarm use of agricultural land.

Only a few entrepreneurs mentioned networking as a problem. In some cases, the businesses differed sufficiently from other businesses in the community to prevent such relationships. Other entrepreneurs either did not have time or did not want to network with other business owners they considered to be their competition. Nonetheless, the majority of entrepreneurs made networking a priority. As a vital part of operating their businesses, they networked broadly through customers and suppliers, and through participation in relevant organizations.

The sampled entrepreneurs were asked if there were any other ways that the local community provided assistance for starting or operating their businesses, or whether the community could have provided assistance that would have helped them. Most entrepreneurs responded that local communities provided little, if any, assistance, and when they did, the assistance was minimal such as word-of-mouth advertising. In isolated cases, communities were supportive and even instrumental in helping entrepreneurs obtain grants, but most felt their communities could have provided more assistance regarding taxes, loans, grants, zoning, marketing, and advertising. Several entrepreneurs encountered reluctance or even resistance to receiving any support from their local Chambers of Commerce. Surprisingly, many entrepreneurs did not request help from their communities,

perhaps because of either being too independent to request assistance or believing that no one in the community had the knowledge to help them with their enterprise.

Not quite one-half of the entrepreneurs reported receiving help from family members, relatives, or friends. The types of help provided included moral support, labor, and financial backing. Twenty entrepreneurs stated they met with other business owners to share information. Information exchanges also occurred with customers and suppliers, and through organizational or other types of meetings. When asked which types of resources were most helpful, information, technical assistance, and financing were each mentioned by one-third of the entrepreneurs.

These entrepreneurs were asked to think beyond their own businesses to new business ventures in general and to describe how supportive residents and leaders of their communities might be of new business ventures. Responses were divided three ways. About one-third (10) said their communities were very supportive of new ventures. Another third (12) stated that their communities were somewhat or conditionally supportive—meaning they were supportive as long as the support did not require anything of them—or they were indifferent. The final third (10) reported that their communities were not supportive at all, that the residents were skeptical about new small business ventures, and some residents were jealous and did not want the businesses to succeed. Community leaders were seen as being more supportive than other community residents, but few entrepreneurs vacillated in their perceptions of local leader support. Entrepreneurs reported that local leaders were either very supportive or not supportive at all. One entrepreneur even stated that the support from leaders was terrible.

Farmer Entrepreneur Motivations and Community Impacts

As previously reported, some farmers start businesses because their farming operations are economically marginal and they seek additional income to pay off farm debt or to support the family. Other farmers become entrepreneurs because they want to invest underutilized resources for greater returns. These farmer entrepreneurs include lifestyle entrepreneurs who start businesses to maintain a way of life, and also high-growth entrepreneurs who seek significant growth through innovative products, services, and/or markets. To identify entrepreneurial motivations, respondents were asked, "Why did you decide to start this business?" and "What are your plans for this business?"

Survivor entrepreneurs had a desire to stay in farming, but the poor farm economy created a definite need for additional

income. One farmer felt there was more of a future in the business he started than in farming. The spouse of another farmer said that the poor farm economy left her two options: (1) look for a job or (2) start a business. All entrepreneurs wanted to see their businesses survive and grow, but survivor entrepreneurs expressed much uncertainty about how much or what kind of growth they wanted or expected, or what eventually would happen to the business. They expressed a desire to grow the business, but they had no specific plans or strategies for growth. One entrepreneur stated simply that he wanted to "Grow it!" Another entrepreneur said he wanted the business to grow, but he was uncertain whether it would stay in the family or be sold. A farmer's spouse hoped she would be in business in 10 years and thought about letting her son into the business.

Lifestyle and high-growth entrepreneurs were much more deliberate in starting ventures and planning for business growth. Primary reasons mentioned for starting businesses included recognition of opportunity and/or the potential for financial gain (mentioned by 11 entrepreneurs), interest in the potential of alternative or value-added products (8), and the desire or challenge to build something or make a contribution for the family (6). Although the reasons given for starting businesses differentiated survivor entrepreneurs from lifestyle/high-growth entrepreneurs, they did not distinguish between lifestyle and high-growth entrepreneurs. The identified future plans for businesses were notably distinct for the latter two types of entrepreneurs, however.

High-growth entrepreneurs' goals included significant growth, accessing national and international markets, and, in some cases, constructing and developing substantial infrastructure. One entrepreneur's goal was to contract with a wholesaler for the national distribution of his products and eventually to tap international markets.

Another entrepreneur, a farm equipment manufacturer, stated his primary competition was products from China, and he constantly searched for potential new farm and nonfarm technologies to produce. A jobber of high-quality, low-antibiotic pork products demonstrated the ambitious trajectory of high-growth entrepreneurs. At the time of his interview, this respondent marketed 10 to 15 head per week for his producers, but he had plans to expand to 350 to 400 head per week during the next year. He eventually wanted to market 1,500 or more head per week, which would require the construction of a packing plant, a cutting facility, and an office building.

Lifestyle farmer entrepreneurs who successfully diversified their farming operations had more limited plans than high-growth entrepreneurs. They wanted their businesses to grow, but within available means and not at a detriment to family life. A distinguishing feature of lifestyle entrepreneurs from high-growth entrepreneurs was that more lifestyle entrepreneurs wanted to pass the business on to a child or other close family relative (seven of 19) than high-growth entrepreneurs (only one of eight).

Lifestyle farmer entrepreneurs seem to have a perspective on the business venture that is similar to their perspective on the farming operation. Both are viewed as a holistic integration of family and business. This perspective is different from high-growth entrepreneurs who view nonfarm businesses as commercial enterprises that may or may not involve other family members and that are aggressively pursued for their eventual monetary value.

Table 3 provides further insight into the differences in goals among the three categories of farmer entrepreneurs. For a short-term perspective, entrepreneurs were asked how likely their businesses were to increase the number of employees over the next three years. Responses ranged from 1 = Very unlikely through 5 = Very likely. On average, survival entrepreneur businesses were about halfway between unlikely and have not considered (2.6), lifestyle entrepreneur businesses were about halfway between Have not considered and Likely (3.4), and high-growth entrepreneur businesses were not quite halfway between Likely and Very likely (4.3).

Inquiries about long-range plans for the size of the business yielded responses ranging from 1 = Stay small so I can run it by myself out of my farm, to 3 = Grow large to be an important force in the community, to 5 = Grow to become a large nationally known firm. Survival entrepreneurs, on average, were halfway between Stay small and Grow to a moderate size (1.5). Lifestyle entrepreneurs were just over halfway, on average, between Grow to a moderate size and Grow large enough to be an important force in the community (2.7), but high-growth entrepreneurs' long-range business size plans reflected their group label by being substantially higher—halfway between become important regionally and become a nationally known firm (4.5).

Differences in motivations for starting businesses among the three entrepreneur groups result in different goals and also different implications for their communities. Table 3 contains the mean number of full-time and part-time employees for each entrepreneur category. Taking full-time and part-time together, survival entrepreneur businesses provided just over three jobs per business, lifetime entrepreneur businesses provided five jobs per business,

Table 3. Plans for the Business and Current Number of Employees of Survival, Lifestyle, and High-Growth Entrepreneurs (N = 32)

	<i>N</i>	<i>Likelihood of Increasing Number of Employees Over Next Three Years*</i>	<i>Long-Range Business Size Plans**</i>	<i>Current Mean Number of Employees</i>	
				<i>Full-Time</i>	<i>Part-Time</i>
Survival	5	2.6	1.5	1.0	2.2
Lifestyle	19	3.4	2.7	1.8	3.2
High-growth	8	4.3	4.5	8.1	4.5

*1 = Very unlikely, 2 = Unlikely, 3 = Have not considered, 4 = Likely, 5 = Very likely

**1 = Stay small so I can run it by myself out of my farm, 2 = Grow to a moderate size with a few employees, 3 = Grow large enough to be an important force in the community, 4 = Grow large enough to become important regionally, 5 = Grow to become a large nationally known firm

and high-growth entrepreneur businesses provided more than 12½ jobs per business.

Each business of the high-growth entrepreneurs provided more than twice as many jobs as a lifestyle business and about four times as many jobs as a survival business. When combined with the multiplier effects of likelihood of increasing the number of employees over the next three years and long-range business size plans, the long-term impacts of high-growth entrepreneurs' businesses were reported as being significant.

Even so, the impact of the other entrepreneurs, especially lifestyle entrepreneurs, should not be overlooked. With the

assumption that lifestyle entrepreneurs operate mostly main street retail and service businesses, Henderson (2002) suggests that the main contribution of lifestyle entrepreneurs is to the community's quality of life through the services they provide. In this sample, however, only four of the 19 lifestyle entrepreneurs operated typical retail and service main street businesses. Furthermore, the 95 full-time and part-time jobs provided by the lifestyle businesses nearly equaled the 101 full-time and part-time jobs of high-growth entrepreneurs. Given that lifestyle entrepreneurs are more numerous than high-growth entrepreneurs with similar if not equal potential impacts on creating local jobs, advice for community leaders to focus their support on high-growth enterprises may be a disservice.

Implications

Local and state public and private development organizations interested in the vitality of rural areas should allocate more resources and efforts to supporting entrepreneurs. Communities, especially, might benefit by providing greater support to local entrepreneurs. Considering that farmer entrepreneurs have strong local ties and attachments to their communities, a commitment to keeping their businesses local will be stronger than the commitment of businesses recruited externally through free facilities, tax concessions, and other incentives. Although strong, this commitment is not unconditional. When asked if given the opportunity to move the business to another location where it could do better, would they be willing to move, seven entrepreneurs answered "yes." One entrepreneur directly attributed his answer to the perceived lack of local support. Entrepreneurs' commitment to their communities might be increased through stronger local support.

Many entrepreneurs did not seek assistance from their communities. With enterprises too novel, too large, or both, they realized small communities had neither the resources nor the knowledge to offer much assistance. Other research on this issue shows that greater participation by farm groups or members with links to agriculture on the governing boards of local economic development agencies can influence priorities and strategies. Thus, one strategy is for farmer entrepreneurs to serve on local advisory or governing boards. Satisfaction with outside assistance also varied. Some simply stated that assistance was available—it was just a matter of paying for it. Others were frustrated because they either could not locate assistance or the organizations they contacted were not helpful.

Still others worked the problems out themselves, sometimes with help from family members. Organizations purporting

to provide assistance to businesses need to improve their visibility in rural areas so entrepreneurs know where to go when they need assistance. These organizations also need knowledgeable and competent staff to deliver services, especially staff with knowledge in the agricultural industry.

Financing is an obstacle for all entrepreneurs, and even more difficult for farmer entrepreneurs. Conservative rural bankers are hesitant to loan farmers money for anything not directly related to agricultural production, especially if the venture is at all risky. Although there are no simple solutions to this problem, a three-pronged approach might help. First, bankers need to be educated on the benefits for the bank and the community of financing local entrepreneurial ventures. Second, state legislatures and state agencies need to work together to increase the availability of small venture capital loans and grants. Third, development professionals could organize innovative mechanisms for funding local entrepreneurial ventures such as bank community development corporations (Lenzi 2003).

Zoning ordinances were a problem for some farmer entrepreneurs. Some Iowa counties have zoning ordinances that prohibit the use of agricultural land for any purpose other than production agriculture. Although these agricultural preservation laws are well-intentioned and seek to control development and sprawl on agricultural land, they also may discourage farmers who want to start nonfarm businesses. Such laws may prevent farmers from locating businesses on their own close and available farmland and force them to purchase or rent land at a more inconvenient, distant location if they want to start a business.

Finally, community entrepreneurial support programs should not be targeted solely on high-growth entrepreneurs.

High-growth entrepreneurs are scarce, and communities may more easily achieve their economic development goals by supporting a broad array of entrepreneurs. Ten entrepreneurial ventures with five employees each can do as much for a community's economic vitality as one venture with 50 employees, not to mention the local economic strength that comes from many small and diverse businesses.

Caution should be used, of course, in generalizing from the results of this research. In-depth personal interviews placed

strict limits on the sample size. Therefore, to gain insight into the variety and nature of farm-based entrepreneurial ventures, the business sample selection was not random; it was purposive. Nevertheless, the results bear attention because there are consistencies between this research and that undertaken with other entrepreneur audiences. In addition, the results of this study did demonstrate the unique problems and needs of farmer entrepreneurs growing out of their economic and ecological context.

Conclusion

Farm-based entrepreneurship should not be overlooked as a vital component of local economic development strategies. For too long, farmer entrepreneurs have largely been ignored in the community economic development literature. Like other locally reared and groomed entrepreneurs, farmer entrepreneurs have an interest in the welfare of their communities and a commitment to

see them prosper. Community leaders need to recognize the potential of farm-based entrepreneurial ventures to local economic vitality and use their leadership to marshal support for these entrepreneurs. If such farm-based businesses are successful, they can contribute significantly to the economic viability through the provision of employment, taxes, income, and population growth.

References

- Arum, R. 1997. Trends in male and female self-employment: Growth in the middle class or increasing marginalization of the labor force. *Research in Social Stratification and Mobility* 15: 209-238.
- Federal Reserve Bank of Kansas City, Community Affairs Department. 2001. Entrepreneurship. *Community Reinvestment* (Fall): 16-20.
- Green, G. P., J. L. Flora, C. Flora, and F. E. Schmidt. 1990. Local self-development strategies: National survey results. *Journal of the Community Development Society* 21: 55-73.
- Henderson, J. 2002. Building the rural economy with high-growth entrepreneurs. *Economic Review* (Kansas City) 87: 45-62.
- Johannisson, B. 2000. Networking and entrepreneurial growth. In *The Blackwell handbook of entrepreneurship*, ed. D. L. Sexton and H. Landstrom, 368-386. Oxford, UK: Blackwell.
- Korsching, P. F., P. Lasley, and D. Roelfs. 2003. *Iowa farm and rural life poll: 2003 summary report* (University Extension Report PM1952). Ames: Iowa State University Extension.
- Lenzi, R. 2003. Financing trends and future options for rural Illinois and America. In *The American Midwest: Managing change in rural transition*, ed. N. Walzer, 224-245. Armonk, NY: M. E. Sharpe.
- McNamara, K. T., W. Kriesel, and D. V. Rainey. 1995. Manufacturing recruitment as a rural development strategy. In *Rural development strategies*, ed. D. W. Sears and J. N. Reid, 119-136. Chicago: Nelson-Hall.
- Timmons, J. A. 1999. *New venture creation: Entrepreneurship for the 21st century*. Boston: Irwin/McGraw Hill.
- Wall, M., and D. Macke. 2004. *E2: Energizing entrepreneurship in rural America*. Lincoln, NE: The Heartland Center for Leadership Development and The Center for Rural Entrepreneurship.

The Rural Research Report is a series published by the Illinois Institute for Rural Affairs to provide brief updates on research projects conducted by the Institute. Rural Research Reports are peer-reviewed and distributed to public officials, libraries, and professional associations involved with specific policy issues.