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## Growing Jobs in Rural America through collaboration

John Monson  
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# Growing Jobs in Rural America through collaboration

John Monson

V.P. AgStar Rural Capital Network



# A new reality

- Agriculture remains a pillar in the rural economy, but it is becoming more dependent on rural communities for off-farm income, healthcare services, technology, infrastructure, transportation, telecommunications, education, innovation, workforce, etc.
- The overall economy continues to diversify
- The number of farms depending solely on agricultural income is decreasing

# Topline on Rural America and Capital

- Rural America needs investment capital
- Lenders need to share capital risk with each other and utilize USDA guarantee programs

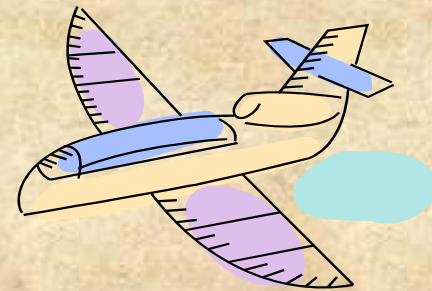


# Rural Communities Still Struggle

- Economic and quality of life issues
- Need capital for job creation, infrastructure, facilities ...
- Renewable energy and Bioscience opportunity

*but*

- Access to debt and equity capital is limited:
  - Wealth below urban levels
  - Limited liquidity
  - VC fly-over zone



# AgStar's goal

- Our goal is not to just make transactional investments, our goal is to make regionally strategic investments that enhance life in rural communities.
- We intend to do it innovatively, connecting new opportunities and acting collaboratively in our regional investments.

# AgStar's Mission Realized

- Rural Capital Network unit formed in 2007
- Purchase bonds as mission-related investments
- Focuses on:
  - Health care facilities
  - Manufacturing / business expansions
  - Multi-unit housing
- Work closely with all parties involved
- Establish network of community banks



# AgStar Rural Investments

- 27 community bank relationships in MN and WI – 150 nationwide
- \$127mm in rural investments in last 3 yrs
- Over \$200 million in managed assets

Investments focused on aging rural healthcare facilities, rural businesses, and multi-family rural rental housing.

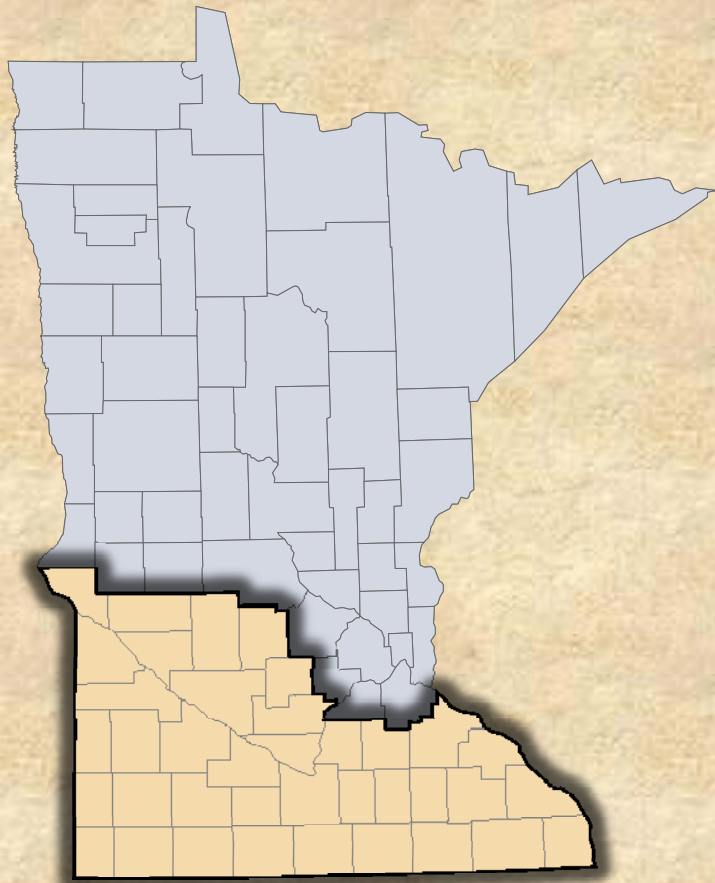
# New Approach to Regional Collaboration

Imagine a world where rural economic opportunity was tied to economic research, common regional perspective, and sustained private leadership.

Imagine a rural region's economy focused on global competitiveness rather than survival.

We organized a group to hire RUPRI and research a new regional investment plan.

# *Southern Minnesota Regional Competitiveness Project*



- **38 counties. 988,000 people**
- **Ag-intensive, strong manufacturing base region, with world-renowned medical research facilities.**
- **Self-funded project led by 16 partners from the private sector, led by a financial institution, two philanthropies, and others.**



# *Southern Minnesota Regional Competitiveness Project*

## What were the project goals?

1. **Strategy.** Compete in the global economy with critical mass based on what the Region does best.
2. **Partnership.** Build a better way for the Region to think and act as one region.
3. **Investment priorities.** Identify public investments critical to being a world-class competitor.
4. **Increase innovation capacity.** Enhance the Region's capacity to innovate, grow entrepreneurs, and create wealth.



# Southern Minnesota Regional Competitiveness Project

## Partnership



Assemble regional data sets  
First look at specializations

In-depth look at “bests”:

- Structural Analysis
- Cluster Analysis
- Roundtable Findings

+

- Innovation Analysis

Impact analysis

## Analysis

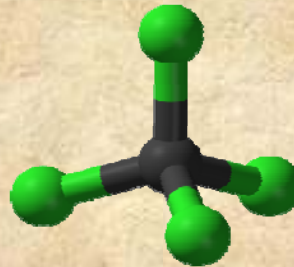
# Bioscience is the epitome of this Game Plan.

**Connect**



THE HORMEL INSTITUTE  
UNIVERSITY OF MINNESOTA

**Synergize**



**Act & Invest**



# The Southern Minnesota Capital Fund



- A region-wide fund to re-cycle wealth, spur new business, and create more wealth *in Southern Minnesota*.
- Design the Fund over the next 12 months:
  1. Identify the best equity fund model—community foundation, network, or **community fund**
  2. Develop debt capital regional network – community banks, farm credit associations, placement agents and regional consultants



# Regional Capital Network - Results

- 180 new jobs created, 240 saved
- 44 rural communities in 38 counties in new debt capital network
- \$98 million in debt capital network
- Financed 6 projects so far for \$19.2mm using this network in the 38 county region (\$6.5 mm USDA guaranteed – creating 95 new jobs)
- 23 new companies in 19 communities funded with seed funds, SBA funds and Rev loan fund



# Regional Debt Capital Fund Objectives in 2010 and beyond

- Reach \$150 million in debt capital network
- Reach 60 communities in 38 counties through the network
- Identify \$50 mm for high risk, high reward ventures
- Leverage USDA RD Loan Guarantees to spread capital capacity
- Begin new investments in at least two new high risk, high reward ventures

# Regional Equity Fund

- Attract outside seed and venture capital to Southern MN Region
- Interviewing multiple equity fund investors
- Creating a new regional equity fund that potentially “shadows” other venture capital funds – made up of community funds and high net investors

# Southern MN Business Accelerator

- Entrepreneurs and researchers are looking to develop business models which capture synergy between key sectors of opportunity
- Business expertise, business development, pro-forma development, business management perspective often times lacking
- Business Accelerator connects and develops regional business capacity – leveraging region's best business consultants
- Replication of business accelerator necessary



# AgStar's Interest in Regional Competitiveness

- Analytics drive decisions in connection with Region's assets and leaders
- Privately-led collaboration with Public and Non-Profits
- Rural regional investments are necessary to support agriculture
- Region's assets, opportunities and leaders are driving the strategy – not tax dollars
- It is OUR stimulus package



# AgStar's role – this was hard work!

- Convened the process, led the investment, coordinated the partners, identified RUPRI as the research engine
- Led investment in rural communities by example
- Leading the formation of the region's capital funds
- Assisting in the development of the Business Accelerator

# USDA Rural Development programs are the key!

- Loan guarantees serve as a key to spreading capital investment
- Loan guarantees serve as a capital management tool for lenders
- Loan guarantees serve to lower interest rates and lengthen lending terms for borrower
- Direct money for essential community facilities makes privately funded portion manageable – easier to find investors

# Key USDA loan program recommendations

- Business and Industry Direct Loans
- Loan Guarantees during construction for Business and Industry and Essential Community Facilities
- Extension of direct loan funds for essential community facilities
- Equity Investment guarantees
- Direct Loans give guarantee loan portion opportunity to find investors



# Thank You

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