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Business development producer alliances

by Don Hofstrand, extension value-added ag specialist, 641-423-0844, dhof@iastate.edu

Producers are joining together to focus on adding value to the crops and livestock they produce. Rather than developing just one value-added business, some of these new alliances are focusing on developing a variety of businesses by identifying new markets and creating new business ventures to service these markets. In other words they are in the business of creating value-added businesses.

Examples

Below are three examples of these new producer alliances. Many more have either been formed or are in various stages of formation. Although each alliance is unique, they all share the basic mission of creating new value-added businesses.

• 21st Century Alliance—
  Kansas-based 21st Century Alliance was organized in 1996. Its mission is to provide profitable agribusiness opportunities for its members. The alliance has established seven value-added businesses including flour milling, a dry bean company and dairy production. It has about 700 members and has recently expanded in other states.

• Ag Ventures Alliance—
  This Iowa-based company was formed in 1998 and currently has over 1,100 members. Its mission is to create and facilitate the development of value-added businesses. Ag Ventures has created a corn ethanol business and helped existing value-added businesses like Golden Oval Eggs expand.

• Heartland Agdeavor—
  Based in Ohio, Heartland enhances farm income by

Handbook Updates

For those of you subscribing to the Ag Decision Maker Handbook, the following updates are included.

Crop Planning Prices—A1-10 (1 page)
Lean Hog Basis—B2-41 (2 pages)
Live Cattle Basis—B2-42 (1 page)
Suggested Closing Inventory Prices—C1-40 (1 page)

Please add these files to your handbook and remove the out-of-date material.

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providing investment opportunities to its members in businesses that add value to agricultural commodities. It serves as a clearinghouse for value added ideas, conducts feasibility studies and prepares business plans.

Advantage of alliances
These new alliances provide advantages for producers involved in value-added business development that are not available when working in isolation on a single project. Alliances provide a unique form of business “incubator.” Not an incubator in terms of physical space and equipment, but an incubator in terms of skills development, leadership, idea sharing and access to resources.

- **Developing business skills**—Instead of developing entrepreneurial and business skills to build just one value-added business, these skills can be used over and over to build several businesses. In the process, these skills are further developed and honed.

- **Building leadership skills**—Critical to the success of developing value-added business are leaders. These individuals are often called “champions” because they provide the drive and momentum needed to take a business idea and create a viable business from it. Alliances provide a forum for leaders to get together to learn and draw strength from each other.

- **Sharing idea**—Alliances bring together individuals from different backgrounds with different market and business ideas. This allows for interaction and sharing of ideas that would not occur in isolation.

- **Building relationships**—Alliances provide a framework for building relationships with other organizations and individuals such as researchers, financial providers, technology providers, public sector providers and others who are critical to building viable value-added businesses.

- **Accessing funds**—Alliances may provide “seed” capital for investigating potential business ideas. Alliance members may be a source of equity for the capitalization of business ventures.

- **Timing business**—As critical as “which” market or industry to enter is the question of “when” to enter. Alliances provide the longevity and patience needed to wait until the proper time to enter an industry or market with a new business.

Producers are attempting to enhance the value-added business development process by creating these entrepreneurial organizations. In the eyes of this observer, these alliances are critical to the success of the value-added movement.

*Federal estate taxation of farm and ranch estates*

by Neil E. Harl, Charles F Curtiss Distinguished Professor in Agriculture and professor of economics, 515-294-6354, harl@iastate.edu

Repeal of the federal estate tax (as well as the generation-skipping transfer tax) effective for deaths after 2009 and the “sunset” provisions specifying that “all provisions of, and amendments made by the Act shall not apply to “estates of decedents dying, gifts made or generation-skipping transfers after December 31, 2010” have focused attention on the wisdom and the consequences of that part of the Economic Growth and Tax Relief Reconciliation Act of 2001.