

VI. ECONOMIC DEVELOPMENT

The economic base of a community sets the trend for population, housing, and commercial development, as well as demand for parks, recreation and cultural activities. The economic base consists of those certain enterprises which mobilize resources and knowledge to produce goods and services, which can be sold for income outside of the community. The income generated by base industries then creates retail demand which multiplies within the community.

Cottonwood County is representative of the economy of rural Southwestern Minnesota. While Agriculture remains the mainstay of our economic base, a strong local manufacturing sector provides a springboard for future diversification. However, low wages pose a challenge to retaining a skilled and creative workforce going into the future.

A. Issues Summary

- More reliant on Manufacturing and Health Services
- Gap in employment in Financial and Professional Services
- Unemployment rate higher than regional average
- Need to balance supply and demand of labor, wages and employment
- Infrastructure is required to be prepared for future opportunities

A.1 Economic Development Strengths, Challenges and Future Direction

The County Committee identified economic development issues and concerns in Cottonwood County.

Economic Development Strengths

- Growing labor force
- Strong manufacturing base
- Fertile farmland
- Pro-growth local development attitude & incentives
- Affordable cost of living

Economic Development Challenges

- Low wages and declining population
- The delayed completion of 4-lane sections of Highway 60
- Vulnerability to business cycles of large manufacturers

Future of Economic Development

- Diversify with renewable and value-added industries
- Continued growth of large farms
- Increasing number of small farms
- Monitor issues with large-scale livestock facilities
- May be housing opportunities for out-of-county commuters

B. Employment and Income

The number of Cottonwood County residents participating in the labor force—those actively working or seeking work—has contracted and expanded in recent years, even while the total county population has gone down. Having more people working out of a smaller total population is common in some rural communities, as farmers and second-income family members seek more regular employment. Also, since there are fewer job opportunities for residents, many rural residents accept jobs that require a skill or education level below what they have obtained, and take a job for less pay or commute a further distance to find a good job match. Cottonwood County’s average unemployment rate has improved over years past, yet is still higher than the regional average for Southwestern Minnesota

**Figure 6-1: Labor Force
By Place of Residence**

Cottonwood County	1993	1998	2003
Labor Force	6,081	5,633	6,415
Employment	5,707	5,359	6,114
Unemployment Rate	6.2%	4.9%	4.7%
Development Region 8*	1993	1998	2003
Labor Force	61,710	63,448	65,523
Employment	58,899	61,409	62,818
Unemployment Rate	4.6%	3.2%	4.1%

* Lincoln, Lyon, Redwood, Pipestone, Murray, Cottonwood, Rock, Nobles, Jackson counties
Source: MDEED LAUS, SWRDC Historical Data

B.1. Labor Force Assessment

In 2001, Cottonwood County participated in a Labor Force Assessment conducted by the Minnesota Department of Economic Security (now Dept of Employment and Economic Development, DEED) and the Southwest Regional Development Commission (SRDC). The survey was intended to serve as a tool to determine gaps between the supply and demand of workers in the region. There were two components to the study: employer perspective and the perspective of area residents. There were 365 residents, age 16 or older, in Cottonwood County randomly selected and interviewed by phone.

Under employed workers represent another potential pool of labor. The survey information further indicated a significant number of employed part-time workers would work more hours if offered. Retraining will be necessary in many cases if underemployed or non-working individuals are to move to higher paying or high-demand occupations. Over half of total respondents indicated they would seek further training if it meant getting a better job.

- **Specific details from the survey:**

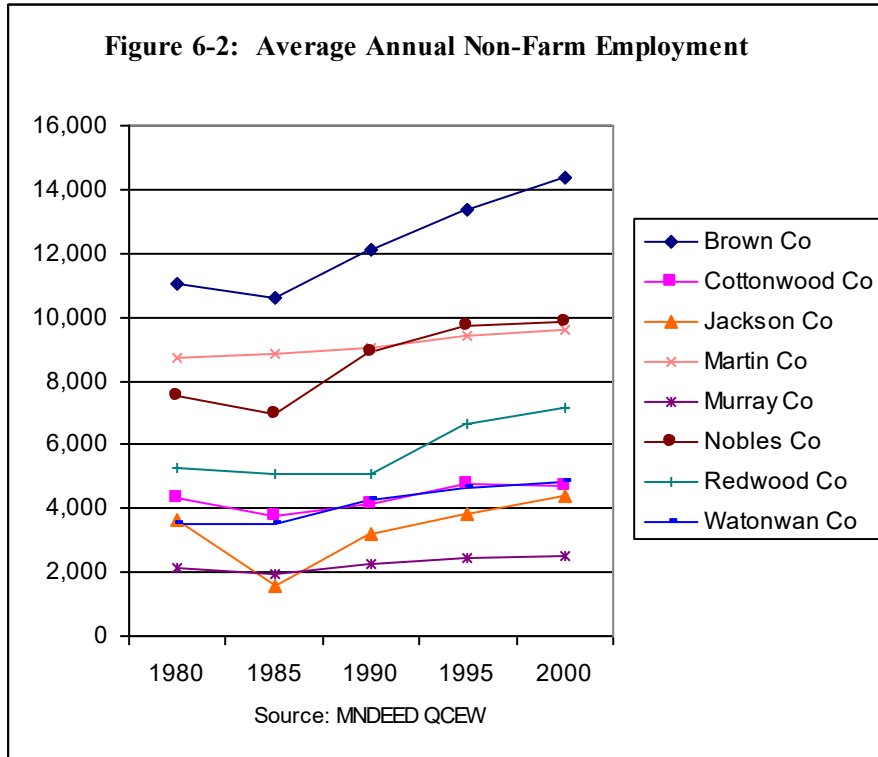
The largest portion of workers (82%) reported working full time (35 or more hours per week). Eighty-six percent were employed by a single employer. Employment tenure ranged from less than one year to over 50 years. The median employment tenure for primary jobs in the County was 9 years, and the average employment tenure was 13 years. Thirty percent of the respondents reported working at their primary jobs for 3 years or less and 33% reported working at their primary jobs for 16 year or more.

The largest portion of workers reported an annual pre-tax salary of \$20,000 to \$30,000 at their primary job, assuming a 40 hour work week.

Workforce demographics identified 20% with less than high school diploma, 34% with diploma, 20% with some college, 7% with associate degree and 19% with a bachelor’s degree or higher.

B.2. Employment

Regular surveys of Cottonwood County employers by Minnesota DEED show a similar pattern of job loss and gain. The mid-1980s were a hard time for the entire region, although Cottonwood County was spared the drastic job losses of, for example, Jackson County to the south.



DEED's Quarterly Census of Employment and Wages survey (QCEW, also known as the ES-202 series) tracks jobs in the unemployment insurance system. As DEED explains, "The Unemployment Insurance system covers about 97 percent of Minnesota employment. Workers and jobs excluded from these statistics include proprietors and the self-employed, railroad workers, family farm workers, full-time students working for their school, elected government officials, insurance and real estate salespeople, and others who

work only on a commission basis. Employment at federal government establishments is covered by the QCEW program."

In the most recent year available for Cottonwood County, 165 people were counted at 10 establishments in the Natural Resources category (including crop and animal production), 98 of these on 5 covered hog farms. (See Figure 6-3 at right.) Twenty-one manufacturers employ about 1,400 people while 43 covered establishments employed 1,325 people

Figure 6-3: Non-Farm Employment By Industry, 2003

	Cottonwood	Local Share	MN	State Share
Natural Resources	165	3%	21,034	1%
Construction	239	5%	131,945	5%
Manufacturing	1,417	27%	344,417	13%
Trade, Transport & Utilities	1,104	21%	542,048	21%
Information	65	1%	64,304	2%
Financial Activities	157	3%	174,948	7%
Professional Services	67	1%	296,945	12%
Education & Health	1,325	25%	547,748	21%
Leisure & Hospitality	265	5%	248,661	10%
Other Services	127	2%	87,627	3%
Public Admin	293	6%	116,312	5%
Total	5,223		2,575,989	

Source: MNDEED QCEW

in education and health services, including 447 in schools and 537 in nursing and residential care facilities. The other large employer was trade (wholesale and retail), transportation and utilities with just over 1,100 jobs in 121 establishments.

Compared to the state of Minnesota overall, Cottonwood County has a much stronger manufacturing base, with twice the state-wide average of local employment in that sector. There are also three times as

many local jobs in nursing and residential care as the state average. On the down side, there are many fewer jobs in information, finance and professional services.

With a local assembly facility of the Toro Company, established in 1951, and the recently expanded facility of PM Windom, it should not be surprising that Cottonwood County has strong manufacturing employment. While this large base provides benefits, it also opens a window of vulnerability to industry-specific economic ebbs and flows.

Figure 6-4: Major Employers in Cottonwood County

Company	Product or Service	Employees*
Toro Co	Lawn and Garden Equipment	660
PM Windom	Animal Slaughtering & Processing	500
Windom Public Schools ISD #177	Elementary & Secondary Schools	180
Sogge Memorial Good Samaritan	Nursing Care Facilities	170
Cottonwood County	Government Services	130
Westbrook/Walnut Grove ISD#2898	Elementary & Secondary Schools	120
Mountain Lake Public Schools	Elementary & Secondary Schools	110
Windom Area Hospital	General Medical & Surgical Hospitals	100
Good Samaritan Village/Mt Lake	Nursing Care Facility	100
Fortune Transportation	Local Trucking Without Storage	80
Home for Creative Living	Residential Services for People with disabilities	75
Balzer, Inc	Agriculture, Construction & Mining Machine Mfg.	65
Gordy's Foods	Retail	65
MN Department of Transportation	Government Services	65
Westbrook Good Samaritan	Nursing Care Facility	65
Westbrook Health Center	Hospital & Medical Center	55
Preferred Residential Lifestyles	Residential Services for People with Disabilities	55
Bargen, Inc	Highway, Street & Bridge Construction	50
Eventide Home/Mt Lake	Nursing Care Facilities	50
Fast Distributing	General Manufacturing	50
Country Pride Services Coop	Agricultural Services	50
McDonalds	Eating Places	50
Hy-Vee Food Stores	Retail	45
City of Windom	Government Services	45
Ethanol 2000	Fuel Plant	40
Conestoga Furniture	Furniture & Cabinet Mfg.	35
Protient	Dairy Product Manufacturing	35
Schwalbach Ace Hardware	Retail	30
Cottonwood-Jackson Health Svc	Government Services	30
Hiebert Greenhouses	Greenhouse, Nursery & Floriculture Production	30
Kennel-Aire Manufacturing Co.	Spring & Wire Product Manufacturing	30

* Full-Time Equivalent

Source: MN DEED, Windom EDC, SWRDC

Figure 6-5: Projected Employment in Southwestern Minnesota

	2000-2010 Employment Change	Percent Change
Agriculture & Forestry	147	1%
Ag Services	456	42%
Mining	13	3%
Construction	1,079	14%
Manufacturing	395	1%
Rubber & Misc. Plastic Products	(75)	-5%
Electronic Equipment	(881)	-12%
Transport & Communication	686	8%
Wholesale Trade	1,152	11%
Retail Trade	2,970	10%
Apparel & Accessory Stores	(89)	-12%
Finance, Insurance & Real Estate	576	9%
Nondepository Credit Institutions	204	31%
Services	9,427	16%
Business Services	2,052	52%
Misc. Repair Services	192	37%
Amusement & Recreation	1,038	35%
Engineering, Accounting, etc.	747	34%
Social Services	2,103	34%
Educational Services	(348)	-2%
Motion Pictures	(31)	-9%
Private Households	(146)	-36%
Public Administration	37	0%
Total All Industries	17,673	8%

Source: MDEED Employment Outlook

Minnesota DEED develops projections for future employment by examining trends in the local and national economies. These projections rely heavily on the US Department of Labor's Bureau of Labor Statistics (BLS) nation-wide occupational estimates. For the broad area of Southwestern Minnesota (Planning Regions 6W, 8 and 9, mostly counties below the Minnesota River) DEED projects modest job growth in the current decade, although at 8% it is below the state-wide average of 14%. Services are predicted to be the fastest growing industries such as business services, agricultural services (veterinarians, land-scaping), amusement and recreation, engineering and architecture, and residential care.

B.3. Income and Wages

The long form of the decennial U.S. Census surveys income of all residents in the year prior to the census. Per Capita Income (PCI) is measured by dividing total income reported by the number of people living in an area. Minnesota's PCI for 1999 was reported to be \$23,198, while Cottonwood County's PCI was \$16,647.

The Quarterly Census of Employment and Wages survey (QCEW), which tracks jobs in the unemployment insurance system,

Figure 6-6: Per Capita Income, 1999

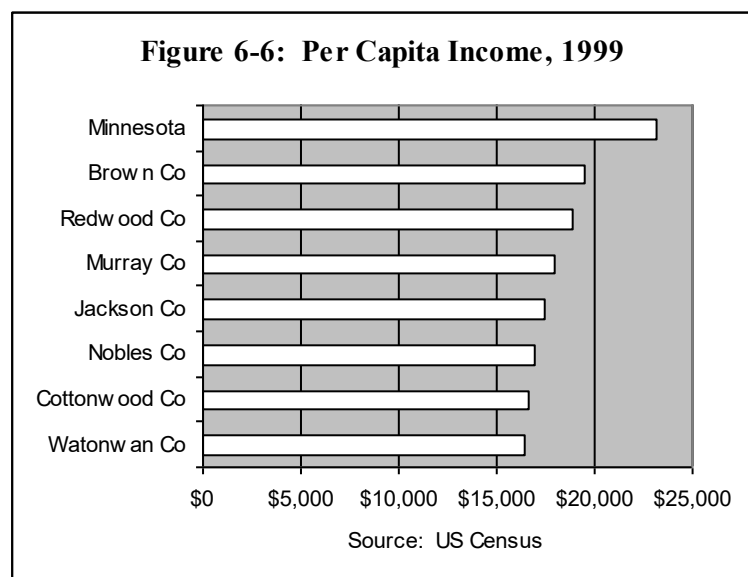


Figure 6-7: Annual Non-Farm Wages by Industry, 2003

	Cottonwood	Local Share	MN	State Share
Natural Resources	2,101,000	2%	649,174,000	1%
Construction	7,745,000	8%	5,987,184,000	6%
Manufacturing	20,707,000	20%	16,061,280,000	16%
Trade, Transport & Utilities	23,112,000	23%	18,776,458,000	19%
Information	2,036,000	2%	3,092,304,000	3%
Financial Activities	4,384,000	4%	10,111,099,000	10%
Professional Services	6,029,000	6%	14,787,403,000	15%
Education & Health	26,300,000	26%	19,606,727,000	20%
Leisure & Hospitality	1,876,000	2%	3,677,085,000	4%
Other Services	1,841,000	2%	2,054,848,000	2%
Public Admin	5,984,000	6%	4,647,838,000	5%
Total	\$102,115,000		\$99,451,399,000	

Source: MN QCEW

also tracks wages paid. As with the number of employees in each industry, covered wages disproportionately come from Education & Health; Trade, Transport & Utilities; and Manufacturing, while lagging in its share of wages in Financial Activities and Professional Services. Total annual income from

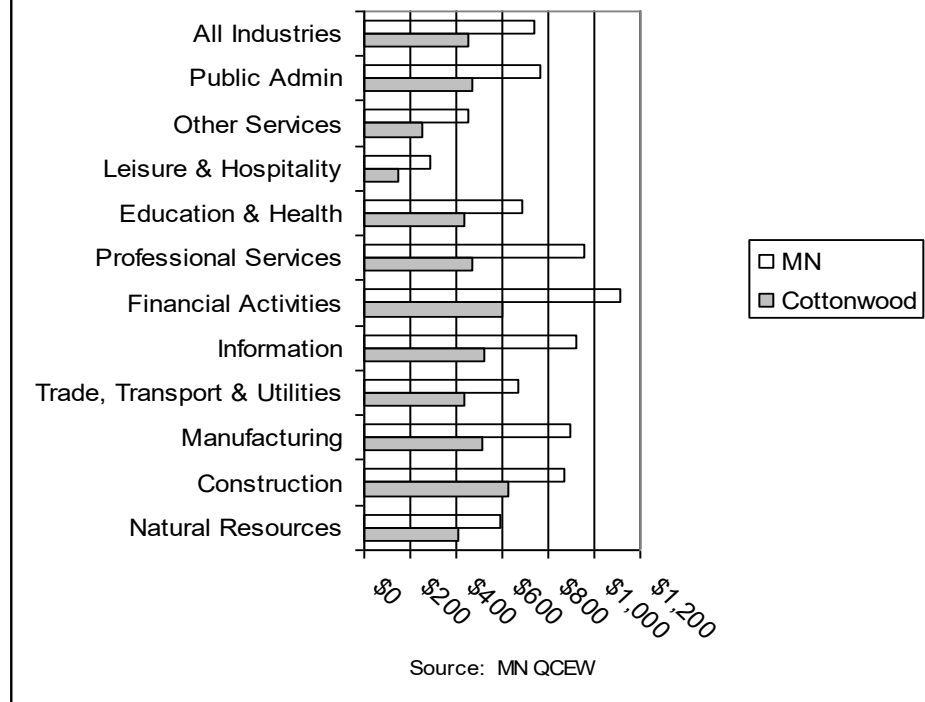
wages received in Cottonwood County also reflects both the lower average wages as well as the mix of employment in different industries. The 13% of Minnesota employees who work in the manufacturing sector bring home 16% of all wages in the state. Yet the 27% of local employees in manufacturing only see 20% of total wages.

A look at average weekly wages is insightful.

Cottonwood County ranked below the state in every industry, with an average \$452 weekly wage. This is 39% lower than the \$742 average weekly wage in Minnesota overall. Professional services see the largest gap at 51% of the state wage. Only Natural Resources (mostly hog farm labor) and Construction have average wages at less than a 1/3

discount of the state average. While it is difficult to balance the needs of employers and employees, the significant gap in wages is and will be a continuing challenge to retaining a skilled and creative workforce into the future.

Figure 6-8: Average Weekly Wages by Industry



B.4. Commuting

Minnesota DEED’s 2001 Labor Force Assessment also identified commuting patterns. Eighty percent of Cottonwood County respondents indicated that they work within the county. Time spent commuting to

work time was also recorded: 80% of the respondents reported a 0 to 15 minute commute, 13% at 16 to 30 minutes, 4% at 31 to 45 minutes, and 3% reported traveling 46 minutes or more to work.

The Labor Force Assessment survey data is similar to the 2000 US Census journey-to-work data, where the average commute to work was 14 minutes, an increase of 3 minutes from the 1990 Census reports. With the location of Windom and Mountain Lake on a state trunk highway not far from county lines, it should not be surprising that more people commute in to Cottonwood County each day than drive out to find work. This may indicate opportunities for housing closer to people’s place of work, especially if gasoline prices continue to become more expensive.

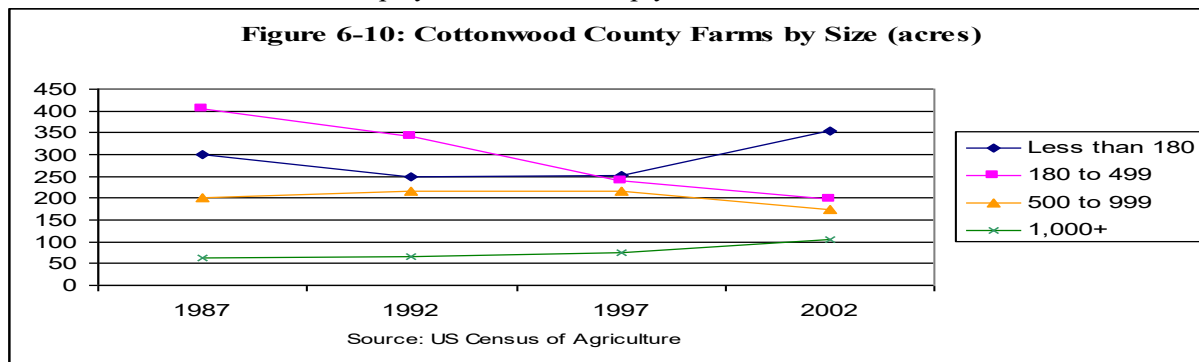
Figure 6-9: Cottonwood County Commuting, 2000

Where Residents Drove to Work			Where Cottonwood Co Workers Reside		
Cottonwood Co.	4,825	83%	Cottonwood Co.	4,825	78%
Jackson Co.	218	4%	Jackson Co.	527	9%
Redwood Co.	160	3%	Watsonwan Co.	225	4%
Nobles Co.	130	2%	Murray Co.	179	3%
Brown Co.	102	2%	Nobles Co.	85	1%
Watsonwan Co.	78	1%	Redwood Co.	68	1%
Murray Co.	60	1%	Martin Co.	51	1%
Lyon Co.	50	1%	Brown Co.	47	1%
Other	176	3%	Other	182	3%

Source: US Census

C. Agriculture

The US Department of Agriculture (USDA) National Agricultural Statistics Service (NASS) surveyed America’s farmers for the 2002 Census of Agriculture. Cottonwood County’s results mirror trends in the national agricultural economy. As is typically seen outside urbanizing metropolitan areas, the total land in farms has remained fairly stable even as the total number of farms falls. There are more larger farms, and more smaller farms, as the operators in the middle are squeezed on both sides. Although 72% of respondents listed Farming as their primary occupation, an increasing number are seeking work off-farm. This may be to even out the ebb and flow of crop cycles, or often simply for access to affordable health insurance.



A “farm” is defined by the Census of Agriculture as “any place from which \$1,000 or more of agricultural products were produced and sold, or normally would have been sold, during the census year. The \$1,000 value is not adjusted for inflation.” In 1997 and 2002, USDA also counted as farms operations receiving \$1,000 or more on Federal crop payments. The Ag Census is a survey (rather than a 100% count like the decennial census of population) and statistical adjustments may affect county-level results.

The price of farm land is an indicator of the health of the local ag economy. The University of Minnesota Extension Service has tracked recorded, arms-length bare land sales in Southwestern Minnesota, excluding buildings and other improvements. In the last 10 years, Cottonwood County’s average price paid per acre for total tracts (not just tillable acres) has ranged from a low of \$1,141 in 1998 to \$1,854 in 2004. Cottonwood

County's 2004 sales ranged from a high of \$2,456 to \$1,125. In the region, 2004 average prices ranged from \$1,172 in Lincoln County to \$2,476 in Martin County.

C.1 Livestock

Local farms are becoming more specialized as they become larger. Just less than one in four Cottonwood County farms has cattle (beef or milk cows), down from 1/3 in the late 1980s. After a drop by half in the 1990s, only a handful of dairy farms remain. The total number of cattle is also down by over 20% from the 1980s. In 1987, 30% of local farms raised hogs. In 2002 only 10% raised hogs, yet the total number of hogs and pigs has grown by 80%.

C.2 Crops

Two-thirds of Cottonwood County farms grow corn for grain, and a similar number grow soybeans. In 1987, over 80% of local farms grew these crops. About one-quarter of farms now grow hay for forage, down from one-third.

Figure 6-11:

Agriculture in Cottonwood County	1987	1992	1997	2002
Farms (number)	970	876	784	832
Land in farms (acres)	377,506	374,920	368,346	374,717
Total Harvested cropland (acres)	276,326	312,520	316,894	326,562
Land in farms - Average size of farm (acres)	389	428	470	450
Farms by size - 1 to 9 acres	65	48	28	47
Farms by size - 10 to 49 acres	52	58	62	134
Farms by size - 50 to 179 acres	184	144	163	174
Farms by size - 180 to 499 acres	405	343	241	198
Farms by size - 500 to 999 acres	202	216	215	174
Farms by size - 1,000 acres or more	62	67	75	105
Operator's Primary Occupation - Farming	810	708	575	602
Operator's Primary Occupation - Other	160	168	209	230
Principal Operator working off-farm any	372	306	353	441
Farms with Cattle	316	284	221	192
Cattle and calves on farms	32,828	35,194	29,375	25,490
Farms with Milk Cows	70	52	23	16
Milk Cows on farms	3,041	2,385	1,562	1,194
Farms with Hogs	287	255	132	80
Hog and pigs on farms	100,534	103,092	138,938	183,550
Farms with Sheep	56	33	34	37
Sheep and lambs on farms	3,498	2,625	2,888	3,817
Farms growing Corn for grain	817	742	632	550
Acres of Corn harvested for grain	110,696	153,348	149,057	161,862
Bushels of Corn harvested for grain	13,539,125	18,559,993	18,464,071	23,638,267
Farms growing Soybeans	818	729	621	542
Acres of Soybeans harvested	146,418	148,913	160,915	152,532
Bushels of Soybeans harvested	5,700,633	5,444,844	6,359,457	7,022,231
Farms growing Forage-Hay	338	281	195	193
Acres of Forage-Hay harvested	9,774	7,855	5,269	6,537
Tons (dry) Forage-Hay harvested	29,446	26,393	12,588	20,723

Source: USDA Census of Agriculture

D. Diversification Opportunities

In years gone by, public officials and private economic development organizations typically focused on recruiting industry. Today, local leaders are more broadly challenged to create attractive and functional communities that provide the resources necessary for entrepreneurs creating new wealth and jobs. Once we understand the economic base of our community, we can then make better decisions about preparing for the future.

The City of Windom and the City of Mountain Lake employ full-time economic development professionals, and both participate in the State of Minnesota's Jobs Opportunities Building Zones (JOBZ) tax incentive program and provide loan funds to qualifying businesses. SRDC facilitates enterprise creation and expansion across Development Region 8, and offers a revolving loan fund for new job creation. Communities can also draw on state-wide expertise from the DEED. In 2004, DEED targeted a number of industries for Southwestern Minnesota, including:

- Crop & Animal Production
- Utilities
- Heavy & Civil Engineering Construction
- Food Manufacturing
- Wood Product Manufacturing
- Chemical Manufacturing
- Machinery Manufacturing
- Computer & Electronic Product Manufacturing
- Transportation Equipment Manufacturing
- Merchant Wholesalers, Durable & Non-Durable Goods
- Non-store Retailers
- Truck Transportation
- Credit Intermediation & Related Activity
- Educational Services
- Ambulatory Health Care Services
- Hospitals
- Nursing & Residential Care Facilities
- Social Assistance

D.1. Manufacturing

Cottonwood County should be prepared for opportunities from increasing manufacturing activity along Minnesota Trunk Highway 60, although there is great concern that the delay completing Highway 60 will discourage new growth. Although some industry prefers greenfield locations in the countryside, towns and cities are usually better able to provide urban services such as water, sewer, paved streets and emergency services—police, fire, ambulance. Cottonwood County will need to work closely with local municipalities to coordinate the location of future infrastructure to be able to respond to demands for new growth and development.

D.2. Renewable Energy

In the continuing environment of energy insecurity—between concerns for resource depletion at home and the global war on terror abroad—Cottonwood County has opportunities to take some control of its own energy destiny. An expanding number of rural communities are turning to renewable energy as an alternative to traditional fossil fuels.

- **Ethanol and Bio-diesel** are becoming a fuel of choice in many areas, to reduce auto air emissions and to reduce our dependence on foreign oil. E-85, an 85% ethanol product for flexible fuel vehicles, is being offered in many more convenient locations. Locally, Ethanol 2000 was built in 1997 at Bingham Lake. The facility, recently expanded to 30 million gallons production capacity, consumes 11 million bushels of corn and provides 93,500 tons of livestock feed annually. These types of facilities require infrastructure such as clean water, wastewater treatment, heavy-weight roads and rail sidings.
- **Wind Power** production offers to help diversify the economy of Cottonwood County. This industry has the potential to create jobs, increase the tax base, and provide income for local landowners. The direct effects of wind power generation are seen through wages and salaries received through the local energy-producing industry, the easement payment made to landowners, property taxes assessed on wind generation sites, and revenue from the production of electricity. The benefits to locally owned cooperatives (who distribute the newly generated electricity) will also increase the public's overall benefit. Setbacks and other permit requirements require careful consideration if wind power production is to be a good neighbor.

D.3 Tourism

Some areas in southwest Minnesota, especially those located near lakes or rivers, are seeing new residential development. Many of these areas are beginning to lose their “vacation area only” image and are attracting new “year-round” arrivals from larger neighboring communities and metropolitan areas. Hunting and fishing are also historic tourism uses in Cottonwood County—deer, ducks, geese, and pheasant are attractive to metro sportsmen as well as locals. Anecdotal evidence suggests that as baby boomers increase their discretionary income and pressures increase on public lands, more recreational users are looking at purchasing private land for hunting and fishing. With the County’s location on a prime corridor between the Twin Cities and I-90, there is also some concern that delays completing State Highway 60 will discourage economic benefits of both destination and pass-through traffic in the area.