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Longhorns leading the National Western Parade down 17th Street to open the 100th annual National Western Stock Show in 2006. (Photo courtesy of the National Western Stock Show.)

NWSS Blazing a Trail for Colorado and the West

J. Matthew Wolfe

The 105-year history of the National Western Stock Show (NWSS) is deeply rooted in Colorado's culture and economy. As a nonprofit corporation, its charitable mission is education in many different ways. On top of becoming a tradition in the state of Colorado and the west, the National Western has become a source of economic activity in the state. The stock show brings ranchers, families, and the business community together to learn and understand more about agriculture and to celebrate and share the fruits of their labor every January at the intersection of Colorado's two major highways, I-70 and I-25 in Denver. The show provides

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Agriculture Counts in Colorado

From the Editor

Colorado's agriculture sector is deeply rooted in the state's heritage and culture, and plays an important role in economy. The National Western Stock Show, which is the subject of our lead article, highlights this connection between history and the economy. Now in its 105th year, the stock show accounted for a $102.5 million impact on the Colorado economy in 2010 alone.

Did you know that in the first six months of 2010, agricultural exports increased 27% compared to the same timeframe in 2009, and that Colorado's top agricultural exports are meat and food grains? Bill Meyer's article on this page gives more details about the role of agriculture in Colorado's economy.

Have you always wanted to grow herbs and vegetables, but don't have a garden or even a green thumb? The AeroGarden, made by AeroGrow International, may be the answer for you. Read how this small Boulder-based company changed its

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Bill Meyer

From the agrarian cultures of the Ancient Puebloans of Mesa Verde to the high-tech farms and ranches of today, agriculture remains an integral part of life in Colorado.

With an estimated 36,200 farms, Colorado has 31.3 million acres of land in farms for an average farm size of 865 acres. According to the 2007 Census of Agriculture, more than 47% of the farms had sales less than $2,500. This reflects the recent trend of people wanting a rural lifestyle by investing in small farms. There were 1,503 farms with sales over $500,000, accounting for nearly 81% of all farm sales.

> CORPORATE FARMING HAS NOT TAKEN OVER AGRICULTURE; CENSUS DATA SHOW THAT MORE THAN 94% ARE FAMILY FARMS.

Contrary to popular belief, corporate farming has not taken over agriculture. Census data show that more than 94% of the farms are family farms. Nearly 42% are considered residential/lifestyle farms. Less than 6% of the farms are regarded as nonfamily, such as an estate or trust, prison farm, grazing association, or nonfamily corporation.

The average age of the principal operator in 2007 was 57, up from 54.5 in 2002. Nearly 60% of the principal farm operators in the state consider off-farm work as their principal occupation. Of the principal farm operators, nearly 19% are female, up 2% from the 2002 Census of Agriculture.

In 2007, cropland in Colorado totaled nearly 11.5 million acres, of which 5.9 million acres had crops harvested. Of the remaining cropland, 2.1 million acres were summer fallowed, 2.1 million acres were idled or in programs like the Conservation Reserve Program (CRP), 1.2 million acres were pastured, and 221,000 acres were abandoned. Irrigation is a vital part of Colorado's agriculture. Nearly 43% of all farms have some irrigation, totaling 2.9 million acres.

Government payments to Colorado's farms totaled $156.0 million in 2007. Nearly half, or $72.7 million, of those payments were for land enrolled in CRP.

The top five commodities in term of cash receipts for 2009 include cattle and calves at $2.6 billion; corn, $505.7 million; wheat, $411.9 million; hay, $408.8 million; and milk, $358.9 million (USDA's Economic Research Service).

In 2009, net farm income for Colorado agriculture fell in excess of $400 million, from $1.18 billion in 2008 to $744.9 million. This was the lowest net farm income for Colorado since 2002. Decreases in income were led primarily by the drop in cattle, dairy, and potato prices. Prices for these commodities have rebounded somewhat in 2010, which may be laying the groundwork for higher

COLORADO AGRICULTURAL EXPORTS
(In Millions of Dollars)

Product	Exports			
	2007	2008	2009	2010[a]
Live animals and meat, exc poultry	$582.4	$722.9	$558.3	$675.6
Hides and skins	147.9	144.2	109.4	137.8
Wheat, feed grains, fodders, and products	533.3	513.1	473.3	473.3
Vegetables, fruits and products	80.5	99.6	102.8	112.1
Seeds, sunflower seed and oil	15.2	14.5	17.78	18.3
Fats, oils, and greases	42.7	70.5	43.2	49.7
Other food products	72.9	71.5	139.9	143.5
Dairy products	25.3	29.4	26.1	35.8
Total	$1,500.2	$1,665.8	$1,470.8	$1,646.1

[a]2010 year-end estimate.

Source: World Trade Atlas and USDA (all based on U.S. Census records).

farm income. Field crop values for 2009 rose slightly from 2008, contributing to a small increase in total value.

In 2010, winter wheat growers experienced a record yield. Prices fell earlier in the year, but have risen in the last few months with worries of smaller production in Eastern Europe and prospects for greater U.S. exports. Potato prices dropped significantly in 2009 due to decreased demand and ample supplies. However, smaller acreages this year and the anticipated decreased supplies in the United States have brought prices back up. Corn prices have also risen recently.

The livestock industry is the state's top agricultural sector, accounting for over half of the cash receipts. As of fall 2010, steer and heifer average prices are up approximately $14.00 per hundredweight (cwt.) compared to the same period a year ago. Milk prices are around $4.20 per cwt. higher than last year but are still not near the highs of 2007. Lamb prices have been a bright spot, with record prices. Unfortunately, the sheep and lamb inventory in the state saw a large decline in the January 2010 inventory estimates.

Agricultural land values fell slightly in 2010. All cropland was valued at $1,290 per acre, down $10 from 2009. Irrigated cropland was valued at $3,100, while nonirrigated cropland was valued at $840. Pasture was valued at $650 per acre, a drop of 3% from 2009.

According to the Colorado Department of Agriculture, the state's agricultural exports continue to grow. In the first six months of 2010, agricultural exports increased 27% compared to the same timeframe in 2009. Colorado's top exports are meat and food grains. Four of the five top export markets have shown increases in the first six months of 2010. Only Mexico fell due to lower beef imports, which is expected to change due to the elimination of anti-importing duties on U.S. beef.

Agriculture is and will remain an integral part of Colorado's economy. The "buy local" trend across the nation and interest in organic agricultural are providing more opportunities for Colorado farmers. While more still needs to be done to expand markets and improve profitability, there are positive indicators for many sectors of Colorado's agriculture economy.

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A CU-Boulder student uses a 1940's era tractor to work the fields at the Beyond Organic farm in Boulder. (Photo by Glenn Asakawa/University of Colorado.)

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marketing strategy during the recession—and increased its total customer database by about 50%—on page 4.

Colorado Business Economic Outlook Forum

Mark your calendar to attend the 46th annual Colorado Business Economic Outlook Forum. This half-day event will be held Monday, December 6, at the Grand Hyatt Hotel, 1740 Welton, in downtown Denver. A networking reception will follow the forecast and discussion breakout sessions. There is no charge for this event, and no RSVP is necessary. Visit **https://leeds.colorado.edu/outlook** for more information.

Please contact me at 303-492-1147 with any questions or comments.

—Richard Wobbekind

AeroGrow International

Reinventing the term “Green Thumb”

Compiled by BRD Staff

Meet the AeroGarden: a foolproof, dirt-free, indoor garden that allows users to grow garden-fresh herbs, greens, and flowers year-round.

Founded in 2002 and in the marketplace since 2006, AeroGrow International Inc. has gone through a number of strategic shifts and now employs around 45 people, the majority of whom work at its headquarters in Boulder (the company also operates a distribution center in Indianapolis, Indiana). Using a propriety aeroponic growing system, the AeroGarden grows plants in an environment of high oxygen, perfect light, and ideal nutrients using no soil whatsoever. The AeroGarden grows plants more than twice as fast as in dirt. The company has been issued 6 worldwide patents for its unique growing system, and another 11 patents are pending. With more than 50 different seed kits available to consumers, the growing process is relatively effortless. The consumer only needs to add water occasionally and nutrient packs when prompted by the system. With an average growing and harvesting cycle of four months, these kits—along with special high-lumen grow lights that are unique to the AeroGarden—yield the highest profit margins for the company and will be the catalysts of AeroGrow’s new business model.

In January of 2010, the company announced that Jack J. Walker was taking over as CEO. He was joined in senior management by J. Michael Wolfe as COO and H. McGregor Clarke as CFO. In addition, the company shifted to primarily a direct-to-consumer selling model, moving away from the practice of selling to large retail stores. Since the economic downturn in 2008, manufacturers such as AeroGrow have had difficulty dealing with retailers, who have continued to push more and more inventory risk onto suppliers. For a small and relatively new company like AeroGrow, this risk was simply too great from a balance sheet perspective. Apart from working with Amazon.com, QVC, and a select group of retailers, AeroGrow made the decision to make its direct business the primary sales driver for the company.

This new marketing strategy has allowed AeroGrow to be more aggressive with its direct channels, and it foresees more extensive growth in the future. With an ever-growing customer database, AeroGrow has brought focus to its internet business and its direct-to-consumer catalog. Under the guidance of Chief Operating Officer Wolfe, these two direct-to-consumer channels have come to the forefront of AeroGrow’s business model. By moving a large portion of its marketing dollars from retail support advertising to catalog and internet prospecting, AeroGrow has been able to acquire new customers at a dramatically lower cost than in the past. More importantly, these new customers have a much higher lifetime value than their television or retail generated equivalents, and in an annuity business such as AeroGrow’s, repeat customers are essential. Over the past year, AeroGrow has seen its total customer database grow by about 50% and its active customers (customers making a purchase during the past 12 months) have increased by about 15%. Perhaps the most impressive of these statistics is the average dollar amount repeat customers are spending with AeroGrow, which has grown more than 20%, to nearly $50 per customer.

Although this change from retailers and infomercials has set AeroGrow back in terms of total sales, the company is spending less on customer acquisition and selling products at a higher margin, thereby cutting its losses in the short term and increasing the potential for greater future profitability. In fact, while 2009 marked a decline in overall revenue, the company’s EBITDA (a measure of earnings) loss was cut by more than half, and this trend has continued during 2010.

Since the start of the 2008 recession, AeroGrow has not been the only company that has had to adapt to the harsh economic climate. More manufacturers are taking the route that AeroGrow has chosen: selling directly to the consumer. The promise of higher margins and the ability to better manage inventory costs are proving to be enough incentive for many smaller businesses to cut ties with corporate retailers and interact directly with its customers. Only time will tell if these direct models can be more lucrative than working with retailers and if companies will hit pay dirt. Luckily for AeroGrow, no dirt is needed.

For questions or comments about this article contact Cindy DiPersio at Cindy.Dipersio@Colorado.EDU.

room nights to hotels, patrons to restaurants, and revenues to city coffers, giving businesses the chance to boost their sales for the month. The 16-day show also serves as an entertainment showground, playing host to one of the country's best regular-season professional rodeos, one of the largest and most diverse horse shows, and Colorado's biggest trade show. Spectators can see more than 12,000 animals, ranging from prized cattle to show dogs, which come from around the nation to compete for prizes and accolades.

Earlier this year, the Business Research Division conducted an impact study to better understand how the stock show affects the Colorado and Denver Metro area economies. The study took into account restaurant and hotel services, tourist spending, as well as commercial businesses and trade. In a four-year span from 2010 to 2014, it is estimated that the stock show will have a $550.2 million net impact on the state. In 2010 alone, the NWSS accounted for a $102.5 million impact. This includes spending by visitors; commercial, cattle, and equine exhibitors; the NWSS; concessionaires; and other related businesses and their indirect and induced impacts within the economy. Visitors to the event, who accounted for more than $83.5 million of the direct event spending, generate revenue when they stay in hotels, eat at restaurants, and shop at retailers. Additionally, the NWSS and on-site affiliates generate revenue through property, income, sales, head, and seat taxes. Direct spending by these entities for the event totaled $95.5 million. This is all orchestrated by some 1,300 full-time, part-time, and contract workers, along with 600 community volunteers.

Comparing these results from a similar impact study conducted in 1998 reveal that visitor spending in 2010 was 11.1% higher than in 1998, while attendance for the event rose 5.1%. Per visitor spending increased 5.8% ($131.91 vs. $124.72). Despite the current uncertain economic conditions, the stock show hosted over 633,000 visitors this year, and approximately 78% of those patrons had attended past shows.

The National Western Stock Show has seen a significant increase in attendance since the Events Center, which is located north of I-70, about a city block from the Coliseum, was built in 1995. The center allows multiple shows to be held simultaneously and enables new and exciting entertainment and businesses to join the roster of stock show events. Although the Event Center has allowed the stock show to see substantial growth during its 15-year tenure, current parking and facility constraints have led the NWSS to meet its capacity threshold for the time being. Indeed, the National Western has pursued a long-range planning process as it strives to be viable and competitive for its second century. According to NWSS officials, they do not believe that the status quo is an option due to significant constraints at the current site. Despite this, the stock show's presence will continue to provide Colorado with an economic and cultural stimulant as both urban and rural backgrounds come together every January.

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2010 Junior Market Beef Grand Champion Steer (Photo courtesy of the National Western Stock Show.)

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