

Why Entrepreneurship in the Farm Bill?

Spurring innovation and job creation in its communities is the key to ensuring the long-term future of rural America. Most rural communities no longer benefit from traditional strategies and economic models of industrial and business recruitment that export low-value products. Instead, entrepreneurs can generate new economic value for their communities. Economic development strategies based upon entrepreneurship add jobs, raise incomes, create local wealth, improve the quality of life of rural citizens, and allow rural communities to function in the global economy. An emphasis on entrepreneurship in the 2007 Farm Bill will revitalize rural economies, help repopulate rural communities, attack the root causes of rural poverty and address the continuing and growing economic disparity between rural and urban areas.

- Nearly 60% of jobs created from 1990-2000 in rural counties in the Great Plains (IA, KS, MN, NE, ND, SD) were from non-farm self-employment and small businesses.¹
- 21% of non-farm employment in rural counties is from microenterprises, compared to 18% in urban counties.²
- 54% of U.S. businesses are home-based entrepreneurial businesses.³
- 87.5% of businesses in the U.S. are microenterprises.⁴
- Self-employment, as percentage of labor force, is greater in rural areas – 22.4% in town counties (no city larger than 10,000); 17.6% in micropolitan and 15.4% in metro counties.⁵
- Counties most dependent on farm program payments show weaker performance on several economic and demographic indicators – job and population growth, and growth in new business establishments. Fostering a climate of business innovation and entrepreneurship is a response.⁶
- Entrepreneurism and entrepreneurial infrastructure builds social capital in rural communities; thus enhancing other forms of capital within a community.⁷
- Entrepreneurship and small business development have significant individual and household impacts for low-income people (a large segment of the rural population) – entrepreneurial activity reduced reliance on government assistance by 61%, an average benefit reduction of nearly \$1,700 annually; 72% of low-income entrepreneurs experienced gains in household income; 53% of low-income entrepreneurs had large enough household gains to move out of poverty; average household assets for low-income entrepreneurs increased.⁸
- Employment/self-employment levels increase by 28% and household incomes increase by 85% within two years for low-income individuals who complete entrepreneurship training.⁹
- Participation in the Center for Rural Affairs' Rural Enterprise Assistance Project (REAP), increased household and business assets and income, reducing by half those families/households at or below the poverty level.¹⁰
- Up to 70% of the difference in economic performance among industrial nations can be explained by levels of entrepreneurship.¹¹
- Growing and prospering rural areas are characterized by stronger entrepreneurial environments and higher levels of entrepreneurial activity.¹²
- Entrepreneurship is important to rural culture and rural sociology, and rural people have strong entrepreneurial attributes related to independence, resourcefulness and initiative.¹³
- Entrepreneurial activity (as measured by new firm formation) leads to employment growth, economic growth, and higher rates of human capital (such as education).¹⁴
- Increasing small business births by 5% results in a 0.5% increase in Gross State Product; this increase is larger for states with a lower manufacturing share of their GSP.¹⁵

¹ *Swept Away* (2003), Center for Rural Affairs.

² Association for Enterprise Opportunity, using 2004 Bureau of Economic Analysis, U.S. Department of Commerce county employment statistics and methodology developed by Professors James McConnon and Thomas Allen of the University of Maine.

³ U.S. Census Bureau, Characteristics of Business Owners, 2002 Economic Census.

⁴ Association for Enterprise Opportunity, using 2004 Bureau of Economic Analysis, U.S. Department of Commerce county business patterns data and 2004 U.S. Census Bureau non-employer statistics.

⁵ “Regional Asset Indicators: Entrepreneurship Breadth and Depth,” *The Main Street Economist*, Sept. 2004 (Center for the Study of Rural America, Federal Reserve Bank of Kansas City).

⁶ “Do Farm Payments Promote Rural Economic Growth?,” *The Main Street Economist*, March 2005 (Center for the Study of Rural America, Federal Reserve Bank of Kansas City).

⁷ Cornelia Flora, “Building Social Capital: The Importance of Entrepreneurial Social Infrastructure,” North Central Regional Rural Development Center newsletter, June 1997.

⁸ *Microenterprise and the Poor: Findings from the Self-Employment Learning Project Five Year Survey of Microentrepreneurs*, Aspen Institute, 1999.

⁹ *Microenterprise as a Welfare to Work Strategy: Two Year Findings*, Aspen Institute, 2003.

¹⁰ *REAP: Harvesting Results*, Center for Rural Affairs (2002).

¹¹ *2000 Global Entrepreneurship Monitor Report*, Kaufman Center for Entrepreneurial Leadership (2000).

¹² Don Macke (Center for Rural Entrepreneurship), “Entrepreneurship in Rural America,” Southern Regional Rural Development Center newsletter, March 2002.

¹³ Community Entrepreneurship Focus Area Task Force, Futures 21, *Rural Entrepreneurship: Environmental Scan*, 2001 (citing the research of Dr. John Allen, now of the Western Regional Rural Development at Utah State University).

¹⁴ “Entrepreneurship, Geography, and Economic Development,” Zoltan J. Acs, University of Baltimore.

¹⁵ *Small Business and State Growth: An Econometric Investigation*, Small Business Administration Office of Advocacy, Feb. 2007.

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