

Strengthening Rural In the United States

5

CHAPTER

Good rural development conserves the best in people—the resources they live from, the values that nourish them, and the institutions that sustain them. Good rural development should also shape change in ways that conserve the future of rural people and rural communities.

The rural decline in many parts of the nation—as demonstrated by declining populations, high poverty rates, low incomes and earnings—is the result of a failure of public policy at all levels to develop and implement a specific rural development agenda that corresponds with the evolving nature of rural economies.

Communities



In the late 1980s, Frank and Deborah Popper, Rutgers University geographers, suggested that the Great Plains will inevitably become depopulated and that the “wisest thing the federal government can do is start buying back great chunks of the Plains, replant the grass, reintroduce bison—and turn out the lights.”¹ Thus was born the idea of the “Buffalo Commons” as a rural development model.

Naturally, the idea was ridiculed and denounced by public officials and residents of the area. Yet one wonders if the response—and responses to similar proposals relevant to other parts of the nation suffering similar demographic challenges—reflected embarrassment and

concern over the lack of a better model for rural development.

The Poppers have spent most of the past two decades explaining the “Buffalo Commons” as a metaphor for the Great Plains and possibly for other areas of the nation experiencing depopulation and the lack of innovative and effective rural development.² Other reformers are now discussing the “Buffalo Commons” idea around rural development strategies that respect and accept the agricultural heritage found in many rural areas, and as a beginning to promote other means of developing the economies, communities and people of rural areas.

Rural Development at a Crossroads: This Way or That

Any development model for rural communities must begin with a philosophy that the model will work toward sustaining these communities. Such a philosophy recognizes these communities are a significant portion of the nation in terms of culture, geography and population, and are worthy of policies that enhance the long-term well being of the people who live there.

Unfortunately, rural development policy in the United States has not worked for many rural communities. Rural development efforts and public policy have not been built on this ethic of conservation, as the data we have seen in this report clearly demonstrate.

The rural decline in many areas of the nation also suggests two types of rural economies. One economy is based on recreation, retirement, physical and climatological amenities; those rural areas are generally increasing in population and have higher incomes and lower poverty levels than other rural areas and many urban areas.

The other rural economy is based on a traditional economic structure of rural communities—agriculture, mining and fishing. These areas are declining in population and generally have higher poverty levels and lower income and earnings than any other part of the nation. These communities are based on a cyclical, low-income extraction economy in which fewer and fewer people are employed.

Yet these communities generally have strengths that provide the groundwork for revival—strong institutions, a strong sense of community and a strong entrepreneurial spirit. It is these strengths that should be the basis for a new rural development paradigm.

Even in some of the most distressed areas of this country, areas written off as basket cases, we can find potential for development. In the mountains of Central Appalachia, for example, one of the poorest areas of the country, as we saw in Chapter 3, the recreational and tourism industries already in place could be greatly expanded



Rick Reinhard

The only way to ensure that businesses are attracted to locate in rural communities is by cultivating the economic potential that exists there. Communities that survive and prosper will do so because they have harnessed their potential and have the ability to evolve in sustainable ways in the ever-changing economic landscape of rural America.

and used to leverage further economic development in the area.

Another thing central Appalachia has going for it is the community development-focused Appalachian Regional Commission, which serves as a communications link among various federal, state and local government efforts to build the region's economy. It has already funded several economic development projects and coordinated the building and improvement of roads, and has the potential to make further significant contributions to Appalachia.

Rural people in the Black Belt face serious problems as we saw in Chapter 3, yet high-skill manufacturing jobs still exist in the region and their numbers could increase as manufacturing companies and universities form partnerships to upgrade their technology and become more competitive. With attention and resources focused on its schools and training programs, the southern Black Belt could become much better off economically and offer its children a brighter future.

The rural Great Plains also has great potential for economic development. Compared to other rural areas, Great Plains residents are well educated. The work ethic is strong, and those communities still intact are tight-knit. Despite declines in population, agriculturally based counties in the Great Plains witnessed job growth in non-farm proprietorships equal to or exceeding metropolitan counties, both regionally and in every state.³

The Rio Grande Valley region has advantages too. The rapid growth of its economy shows that these advantages can be used effectively. The workforce is young, energetic and readily available. If investments are made in the region's promising business climate, the Rio Grande Valley could be an asset to the whole United States.

The needs of each of these distressed rural communities are distinctly different. The vast majority of people who lived there have neither been served well by traditional economic development strategies nor by rural development policy. For the

The Lake Apopka Health Project in Florida

Michael Williams

The Lake Apopka Health Project is helping to address serious health problem and raise awareness of a community of impoverished farmworkers in rural central Florida.

Lake Apopka is the most contaminated lake in Florida. Run-off from pesticides and fertilizers applied on nearby vegetable farms has been coursing into the lake for nearly 50 years. In 1998, the state government paid owners of these farms \$90 million to shut down their operations—yet little was done for the more than 2,000 farmworkers who lost their jobs when the farms closed.

Not long after the farms closed, more than 1,000 fish-eating birds were found dead following flooding on the farms. The Lake Apopka Health Project seeks to document and call attention to the fact that the chemicals that killed the birds are the same ones to which farmworkers were exposed.

Right to Know

Many of the farmworkers who spent years of their lives working on these farms have suffered severe health problems as a result of prolonged exposure to the chemicals—including chronic skin disorders, reproductive abnormalities, birth defects, and autoimmune diseases such as lupus and rheumatoid arthritis.

Working with the Presbyterian Church and the Self Development of People (SDOP) ministry, the Farmworker Association of Florida (FWAF) are training farmworkers to document their health problems, improving access to health care appropriate to treatment of pesticide poisoning, and communicating the farmworkers' needs to the non-farmworker community and in effect giving them a voice.

SDOP has been successful in helping former Lake Apopka workers in nearby Zellwood, Apopka, Kissimmee and Lake Jem to secure

needed health care at local clinics. The most difficult problem remains locating funds for farmworkers to attend vocational schools. When the farms closed, the state allocated only \$1.5 million for retraining, re-employment and relocation assistance to the more than 2,000 workers who were laid off.

Being Heard

One of the outcomes of the project so far has been a growing sense of empowerment for the farmworkers. More are listening to the news and reading the newspapers concerning farmworker issues. Farmworkers are also participating—some for the first time—in talking to their legislators both at home and in Tallahassee, the state capital, learning about the legislative bills that affect them and their children. A good deal of time and energy has been spent pressing for a Right-to-Know pesticide bill. Farmworkers have made phone calls to legislative offices in Orlando, Apopka, and Altamonte Springs, and many are speaking out not only about the Pesticide Right-to-Know bill, but also the Student Tuition bill, the Anti-slavery bill, the Medically Needy bill and Kid Care.

In March 2004, more than 250 elected representatives of the FWAF and supporters gathered in Immokalee for the General Assembly of the association. Twenty of those members represented the Lake Apopka project from Central Florida. Lake Apopka leaders along with others were given special recognition.

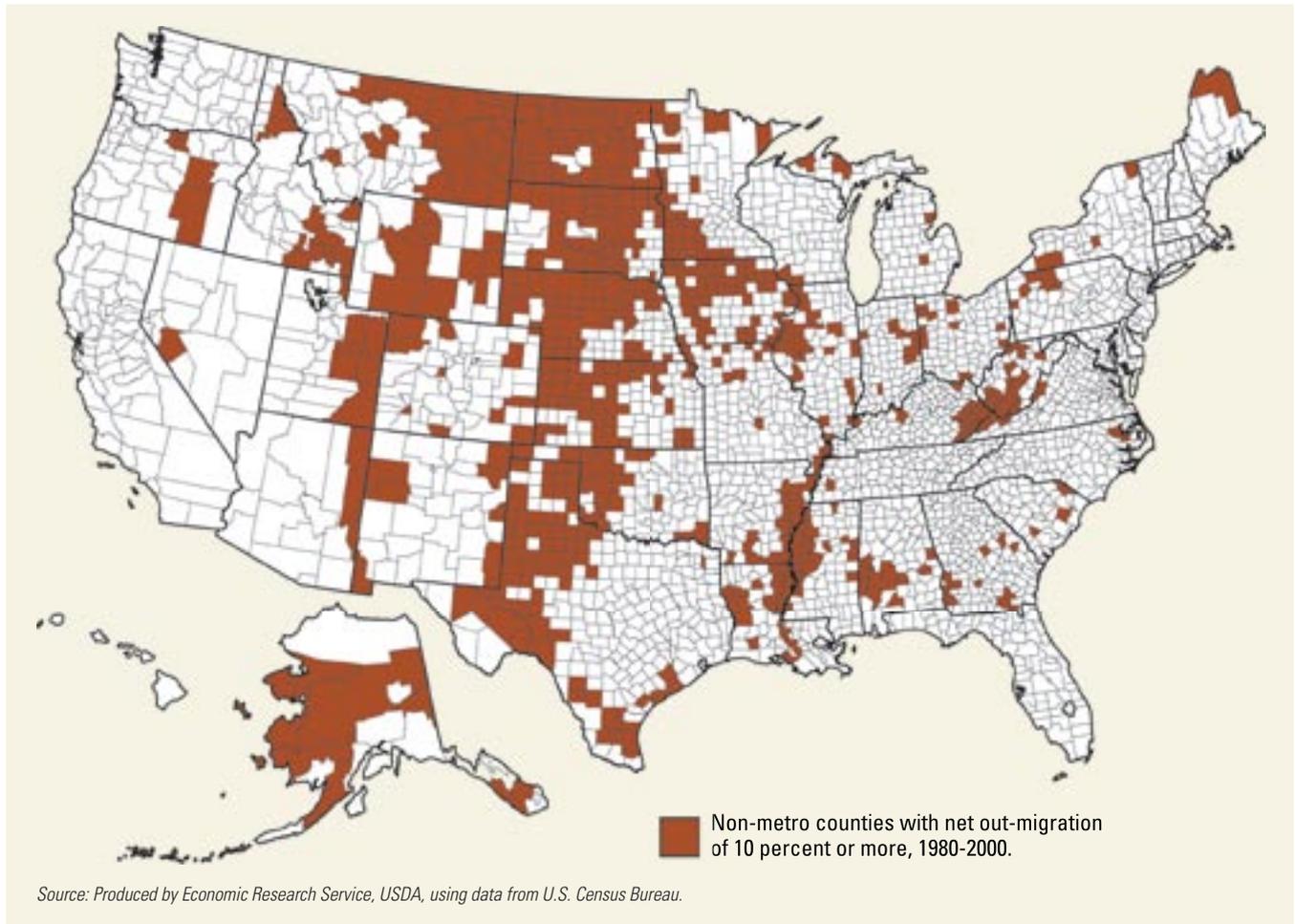
Efforts continue to plan the next steps in the project in which the goal is to show people how important it is to develop their own leadership. Meetings will be held in the future for workers to speak out concerning training for jobs. Participation is expected to be strong.

Michael Williams is the associate for program development in the Presbyterian Church's Self Development of People Ministry.



Jim Stipe

Figure 5.1 **Decimation of America's Heartland**



remainder of this chapter, we will discuss how public policy gaps can be filled and policy improved for the benefit of rural communities and rural people in all areas of the country.

Only concerted effort and cooperation between national government and local communities will result in rural development that allows poor people and poor communities to find a permanent way out of poverty. Healthy rural economies that provide jobs and pay a living wage form the foundation.

Trends in Rural Economic Development

Beginning with the Homestead Act in 1862, U.S. rural development policy has principally been about agriculture. The Homestead Act was used to populate the

Midwest, the Great Plains and the nation's new frontiers, and homesteaders generally were agriculturalists (or hoped to be).

By 1935, the number of farms in the United States reached its peak with nearly 7 million, and the average size of a farm was about 180 acres. In 2002, there were 2.1 million farms, a 70 percent decrease since 1935, and the average farm was 441 acres, nearly a 150 percent increase.⁴

Expansion in farm size and technological innovation has meant explosive growth in agricultural production—but fewer people have remained on the land. For its part, the federal government encouraged this trend. Farm policy and resources have usually been aimed at promoting technological development and adoption, income support for farm families, and structural adjustment upwards in farm size—all policies that

diminish agriculture as a source of employment in rural communities.

Despite the “save the family farm” rhetoric that comes up in any agricultural policy debate, federal farm policy has treated commercial agriculture as a source of increased food production efficiency, rather than as a source of rural economic development. Those remaining on the land will be more productive, more efficient, and wealthier—so the argument goes—and this wealth will spread to the surrounding rural communities.

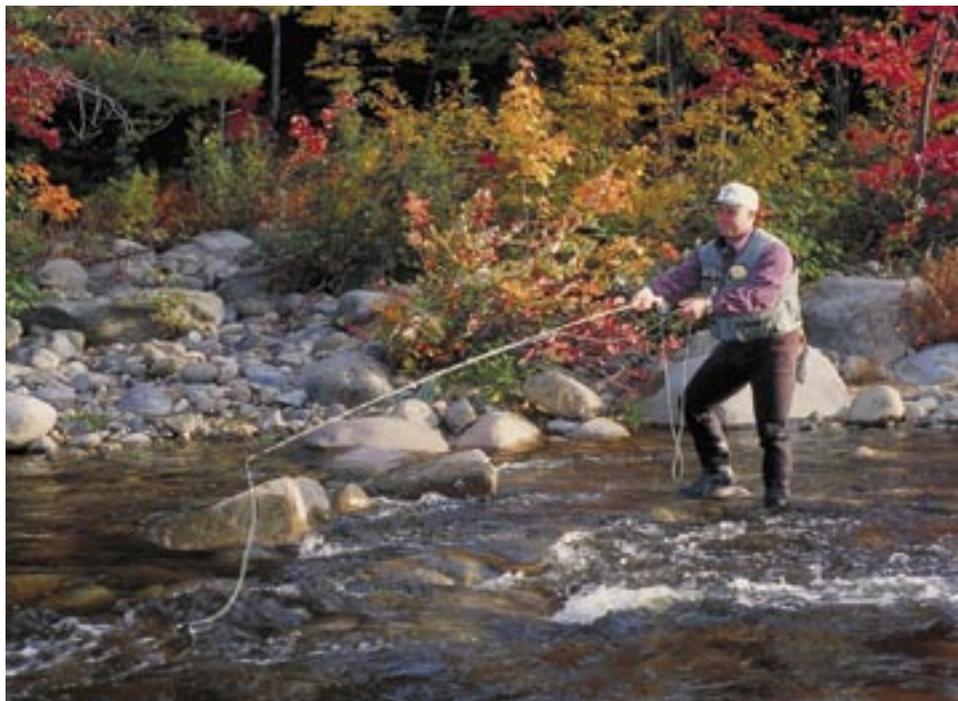
But has it? It is clear that rural communities, especially those surrounded by commercial agriculture, are neither stronger nor wealthier. On the contrary, as discussed in Chapter 3, many are struggling to stay alive. Thus it should be clear that the viability of rural communities depends more on the

number of people than on the quantity of commodities they produce.

Commercial agriculture has ultimately weakened the rural communities that were founded to support it. The crops themselves—corn, cotton and soybeans among others—figure more prominently in the Farm Bill, the de facto means of administering rural policy, than those who grow them. Accordingly, federal money is allocated by what is grown rather than who grows it.

Some argue that the “Farm Bill” is not the appropriate place for non-farm rural development policy initiatives. However, it is the one major federal policy vehicle where rural issues gain center stage. Until that changes, issues concerning non-agricultural economic development should continue to be pushed through the Farm Bill.

Rural development policy is actually made at both the national and state level—and the two seem to have different priorities. While the federal role in agriculture has been increasing since the 1930s, the states have followed an interesting parallel, if divergent, policy track. In other words, states have accepted that the links between agriculture and economic development are not as strong as they once were and destined to become less important. If agriculture’s declining importance is inevitable, agriculture cannot be a meaningful part of a state rural economic development strategy. Accordingly,



Rural areas have barely begun to exploit the economic benefits of wildlife-related recreation. According to the U.S. Fish and Wildlife Service, wildlife recreational expenditures reached \$108 billion in 2001.

states began to emphasize the non-farm aspects of rural development strategy.

As agriculture became less crucial to the economies of many rural communities, and as rural policymakers began to look for new ways to stimulate economic development, they followed the traditional route of economic development by using tax incentives to recruit outsiders in, generally manufacturers that export low-value products.⁵

These rural incentive programs took an urban-based model and simply reduced the qualifying thresholds for job creation and investment. There is one problem—they have not worked. Much large-scale manufacturing has moved from rural areas to low-income countries. Meanwhile strategies to recruit large retail employers have not proven a sustainable alternative. Retail and food service jobs often pay too little to keep a family out of poverty.

Another strategy in vogue for a while was to host a prison, exploiting the burgeoning number of America’s incarcerated. But prisons have not been the job source they were hoped to be. Nor do they do much for the image of a community.

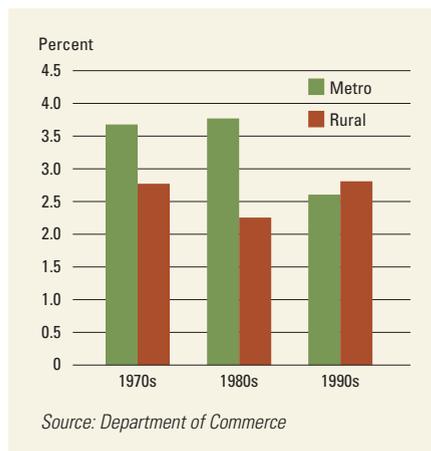
None of the strategies mentioned above have been viable alternatives for a sustainable rural development policy. In today’s economy, something else is going to be necessary to succeed on a broad scale.

Critiquing the Current Policy Approach

The current federal approach to rural development can best be characterized as a patchwork and ill funded for the need. Based on 2004 direct appropriations to the USDA, rural development programs and expenses total \$2.303 billion.⁶ By contrast, USDA announced in October 2004 that farm program payments would total \$12 billion for 2004.

In per capita terms, the USDA rural development budget provides about \$55 per rural resident, based on 48.8 million rural residents. Farm programs provide \$5,639 per farmer, based on 2,128,082 farms in the 2002 *Census of Agriculture* report, and the per capita figure rises to \$9,801 when only those 1,224,246 farms with farming listed as the principal occupation are considered.

Figure 5.2 Rural and Metro Self-Employment Growth



Getting Beyond the Numbers— To Where the Faces of Hunger Are

Dan Martin

Volunteering at a food bank in rural South Georgia opened my eyes to the faces of hunger.

As a member of Bread for the World for more than two years now, I know the facts and figures about hunger in America. I know the percentage of children who live in food insecure households and by how much that number has risen in recent years, and I can recite what groups of people are most at risk.

But on hot summer days, when temperatures soar into the upper 90s and you meet someone who has just walked several miles to pick up a sack of food to feed her family, sweat streaming down her face and staining her clothes, only to leave the building a few minutes later weighted down with a week's worth of canned goods—at that point, the numbers fade out of view and the raw power of one person's plight takes your breath away.

I had planned on volunteering one or two days a week, but soon found myself there Monday through Friday for three or four hours a day. I met young and old people, black, white and Hispanic, single people and families.

I met a mother of three who had the all-too-common experience of food stamps running out before the end of the month. She came in, children in tow, explaining that she was looking for work but it was so difficult to find childcare.

I met a couple that needed help because of an accident the man had suffered on the job and they were still waiting for his disability check to come through.

All had stories to tell, and I listened to them. Some were resentful of having to ask for help, some were embarrassed, and some just grateful that someone was willing to listen.

One of the most encouraging things about the experience for me was meeting the people who donated food and their time to make sure there was enough for those in need. I met a Girl Scout who planted a garden and donated all the vegetables to our food bank. I met an elderly farmer who regularly donated huge watermelons, squash, eggplant, onions, peaches or whatever else was in season. Local churches held canned food drives. A number of generous individuals brought in cans of soup or some badly needed cereal.

Despite efforts like these by people in the community, there remained many obstacles to overcome in getting people the food they



USDA, Ken Hammond

Food banks have had to fill the gap left since eligibility requirements for the Food Stamp Program were changed in 1996, leaving millions of poor people without a place to turn for food.

needed. Transportation was the biggest problem. Because public transportation was lacking, many of the poorest in the community had a hard time even getting to the food bank. Some showed up on bicycles or in cars loaned by friends or relatives. Those who walked miles to get there were handed 10-15 pounds of food and then had to walk back home.

Some of the volunteers offered to drive people home after they had walked to the food bank. For all that showed up in spite of the obstacles, I can only imagine those who were too old, sick, or injured to make the trip. Previously, I lived in Washington, D.C., and for 14 months was without a car and had no problems—that would have been virtually impossible here in Bulloch County.

Yes, I'm glad for my experience at the food bank. I have a much greater understanding now of the need for urgency to end hunger in this country. I worked side by side with some people who truly care about the plight of the hungry, and it was refreshing to see real impact on the local level. Kindness and compassion go a long way, but more needs to be done at the federal level by our leaders in Washington, or else I fear we will never get ahead of this terrible problem.

Dan Martin is a member of Bread for the World and a former project assistant on the 2003 and 2004 Hunger Reports.

The comparative USDA budgets for rural development and farm programs lead to several conclusions about policymakers' priorities when it comes to rural America. For one thing, agriculture is clearly the core of USDA. While it is not fair to call rural development an after-thought to USDA, these numbers reflect it is not the agency's primary focus.

This imbalance needs to be adjusted. Federal funding for rural development initiatives must increase. One way to find the needed money in tight fiscal times would be to cap farm subsidy payments to the largest producers and divert the savings into programs to benefit rural communities and smaller farmers (See Chapter 6 for more on this).

Within the limited focus that is given to rural development, we are concerned about the government's approach. There are ways even the existing funds could be spent more effectively to strengthen rural communities. Below are issues that merit special attention.

Rural development is too narrowly defined

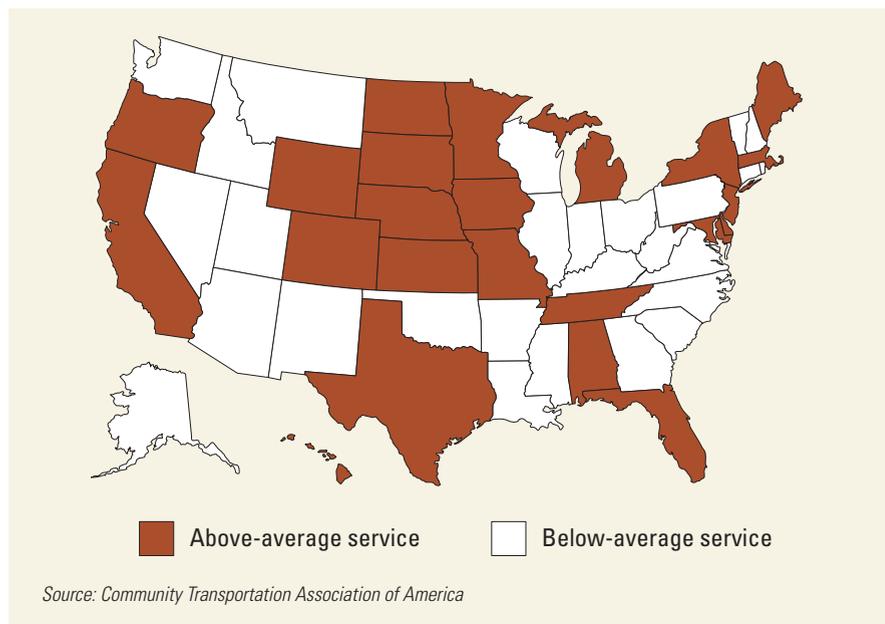
Rural development within USDA primarily involves resources to provide, maintain and upgrade rural community infrastructure (telecommunications and some community water projects) and rural housing, with a relatively minor amount for business development. While these are all important to rural communities, the federal government does not have a comprehensive focus on rural development.

Rural development is scattered among too many agencies and programs

A scatter-shot approach to rural development policy within the federal government causes a great deal of confusion and inefficiency among the thousands of rural communities served by these programs. Nearly every federal agency has a portion of their policy and operations devoted to rural development.

The Small Business Administration (SBA) provides resources for rural business development (as does USDA). The

Figure 5.3 Rural Areas that are Served by Public Transit



Department of Housing and Urban Development (HUD) has programs and resources devoted to rural housing (as does USDA) and funds the Community Development Grant Program for rural economic development and infrastructure needs (as administered by the states).

Rural communities—especially very small ones—may have difficulty accessing these programs and resources since they often lack full-time grant writers and economic development professionals. As such, many communities often go lacking for valuable resources and programs.

Only concerted effort and cooperation between national government and local communities will result in rural development that allows poor people and poor communities to find a permanent way out of poverty.

The Department of Health and Human Services has rural health programs (as does USDA through funding to build, expand and upgrade rural medical facilities). The Department of Transportation funds rural highway and transportation initiatives. And the list goes on for nearly every federal agency.

Rural development is based on the wrong premise

Rural communities are not well served by the current environment in which competition dominates the current federal policy models for both rural development and traditional economic development. This is particularly true for small, agriculturally



Even with an expanded definition of “farm-related employment”—one which includes agricultural services, processing and marketing—agriculture accounts for only 23 percent of rural employment.

based communities that often lack the critical mass of people or infrastructure to legitimately compete for industry and business or the tools to be successful in a competitive federal granting process.

The competition model is essentially one of seeking to convince a business or industry or government agency that one community is better than another or more in need than another. Agriculturally based communities, despite their advantages and amenities, have a difficult time playing that game. Instead, rural development should be focused on a model of cooperation that recognizes there are numerous development strategies and only cooperation and collaboration can determine which are best for individual communities.

These communities are strengthened by their recognition of the need to cooperate and their ability to do so. Government should recognize and encourage this strength through public policy that recognizes cooperation rather than inter-community competition as the paradigm for rural development policy.

Federal policymakers should seriously consider reviewing and then changing programs that require small communities without professional grant writers and development directors to compete for funds, whereas larger communities receive automatic allocations. The Community Development Block Grant (CDBG) is one such example. Cities over 50,000 are provided automatic CDBG funding, while smaller municipalities have to compete with each other.

What Do Rural Communities Need?

Given the slow—but steady—disengagement between agriculture and rural communities, an important question becomes how to move rural development beyond agriculture for the vast majority of rural areas that are not agriculturally-dependent and the vast majority of rural people not directly involved in agriculture, particularly low-income rural people and families.

The federal government must play a pivotal role in providing structure that

promotes economic development in rural regions. Rural policy should bolster the ability of rural communities to use the assets they have to create viable livelihoods and help rural people cope with the economic, demographic and social changes they face.

While agriculture is not disappearing in rural areas and remains a basic element of rural policy, the policy implications from the trends is inescapable. Agricultural policy is no longer equivalent to rural development policy. Moreover, traditional models of non-agricultural rural development seem to have outlived their usefulness for today’s rural America. Policymakers and rural communities must begin to look beyond the usual suspects in designing rural economic development policy.

Entrepreneurship

One such alternative model to rural development is entrepreneurship, both on and off the farm. Entrepreneurship has been lifted up as an economic development model that will better serve rural people and rural places, and will potentially act as a balance for more traditional models of rural development, i.e. large-scale agriculture and industrial recruitment. Its strength lies in its reliance on the creativity and knowledge of those already in the community. Rural residents themselves are the agents of change rather than passive recipients.

A review of 2002 business and labor data show 16 percent of the nation’s jobs are in businesses with five or fewer employees (commonly referred to as “microenterprises”). In predominantly rural states such as Maine, Wyoming, Vermont and Montana more than 20 percent of jobs are in such enterprises. Rural areas of Nebraska and South Dakota have 26 and 29 percent of employment respectively from such businesses.⁷

Even in agriculturally based communities facing population loss, non-farm self-employment and small business development have shown their strength. Counties that lost significant amounts of their population created non-farm self-employment jobs at a greater rate than did

Marty Lueders

Beyond Agriculture in Montana— What's Blowing with the Wind

The potential for using agriculture to develop alternative sources of fuel is tremendous—and remains largely untapped. Ethanol produced from corn has stolen most of the attention but research is underway on other “biomass” products like grasses, plant waste and fast growing trees that may prove even more cost effective and in the end more sustainable.

The Midwest and Plains states in particular offer vast stretches of renewable energy sources. With sufficient financial support from the government, these alternatives could one day help lessen U.S. dependence on foreign oil. What's more, these energy crops could provide economic development opportunities to rural America by attracting processing plants and research and development centers.

But perhaps even greater potential may come from another abundant energy source—wind. Again, the Midwest and Plains states could well generate enough cheap electricity with wind power to light the nation, or certainly large regions of the nation.

Right now in Montana there are several projects trying to capitalize on the state's interest in scoring big economic wins off the powerful winds blowing through its high prairie. By far, the biggest of these projects, and furthest along, is Bob Quinn's wind farm in Judith Gap.

“In Montana, a lot of people figure if the wind stops blowing for long the buildings would fall down,” joked Quinn, a local boy who grew up and still lives in Big Sandy—and yet his point is quite serious. Montana is windy. “Raging rivers of wind run through this state” is how Quinn likes to describe it.

Quinn and his partners signed a contract in January to sell NorthWestern Energy up to 150 megawatts of power, and this is expected to yield a \$150 million rural development project, including the construction of as many as 100 turbines spinning wind into dollars.

“Throughout Montana's history, people have been coming in, extracting what they want from the state, and then leaving things in just a terrible mess. The gold rush made all kinds of mess in the state—and then just picked up and left. Same thing with the oil booms. Boom and bust, boom and bust—that's been the history of the west.

“With wind we finally have an opportunity to break that cycle, because there's no reason

for this to go bust. I expect the wind to blow through Montana until all is said and done.”

For Quinn, an organic farmer, it was the cleanness of wind power—no greenhouse emission, no smoke and no pollutants—that motivated him as much as anything else. Quinn also sees renewable energy sources like this as a rich alternative to Montana's declining agricultural sector. “For me, sustainable agriculture and renewable energy go hand in hand.”

With any new industry, progress includes a few steps backwards along the way, but Quinn has not been deterred. Realizing the potential of wind energy still has a long way to come, but he remains confident that others throughout the country will also see the promise of wind power.

Regardless of what areas of the country support the greatest opportunities, placement of “wind farms,” or “parks” as they are sometimes called, need plenty of space and that's why rural areas will do well as the industry develops. There will be jobs to construct and maintain the turbines and transmission lines, plus income gained from leasing the land to investors.

“To the people reading this,” said Quinn, “dreaming of ways to bring new opportunities to their communities, I say to them, don't get discouraged with roadblocks, because that's life and you just have them all the time. Keep your eye on the goal. That to me was all the motivation I needed.”



Unlike extraction industries that fueled the boom and bust cycles of earlier times, Montana may have found a more permanent economic resource in wind power—one of the most promising and cost-effective renewable energy technologies available today.



PARKING
ANYTIME
→

counties that experienced rapid population growth. Nearly 60 percent of all jobs created in Great Plains rural counties during the 1990s are attributable to non-farm self-employment.⁸

Some of this job growth in non-farm self-employment is, in a sense, forced employment. Many of these enterprises likely began as off-farm enterprises to supplement declining farm or ranch incomes, or as a way to remain in a rural community when other economic opportunities became nonviable. Whatever the reason, these data show a remarkable entrepreneurial character among the people of agriculturally based communities.

Because of the failures of traditional economic development in many rural areas, policymakers and rural people now realize that entrepreneurs can generate new economic value for their communities. Small businesses and self-employment are now viewed as playing a crucial role in the economies of rural communities.⁹ According to the Center for the Study of Rural America, “entrepreneurs add jobs, raise incomes, create wealth, improve the quality of life of citizens and help rural communities operate in the global economy.”¹⁰ State and federal policy should support this trend.

New Faces in Rural Entrepreneurship

An entrepreneurial spirit manifests and bears fruit in myriad ways. Creative solutions to local problems spring up out of what would seem like some of the most infertile soil. For lack of financial resources, many brilliant ideas have never materialized, and with this the chance to improve many people’s lives have vanished like dreams.

Persistently poor communities often do not possess the resources internally to break out of poverty on their own. Money from outside is needed to break the cycle of low-skills/low-investment that plagues so many rural areas, especially the most impoverished. A combination of public and private money, allocated according to local priorities and realities, is central to the future success of rural communities.



Mary Luellers

Entrepreneurs benefit rural communities by creating jobs, wealth and growth. Large or small, they add to a community’s economic prosperity and generally improve the quality of life.

The West Holmes Community Development Organization in West Holmes County, Mississippi, one of the poorest counties in the country, demonstrates how these two elements can translate into successful development. Using private grant funding and USDA funding, two men from a poor rural community used their unique knowledge of its realities and possibilities to make a real difference.

Calvin Head and Tom Collins returned to their hometown of Mileston after leaving the area to attend college. According to Head, “I knew I had to take what skills I had learned and implement and incorporate some of what I had learned into the region.”

Driven by need to do something to keep young people from leaving, making sure they were assets to the community instead of liabilities, Head and Collins began to do some market research. “We knew there were no large manufacturing plants or any other type of industry. Yet at the same time we

knew that we had available to us land, we had the expertise of farming, we had outside assistance from cooperative extension services from universities.”

In 1996, after uncovering an untapped market for fresh fruits and vegetables, they began a small farming operation to supply fresh produce to people within the community and grocery stores farther away. Demand was so strong after the first year, they obtained a grant from the Kellogg Foundation to help grow and develop the business.

Today, the West Holmes Community Development Organization, in addition to its farming business, has opened a community store, restaurant, farmers’ market, day care center and office facility, which serves as an information center for the whole community. These businesses employ scores of local youth and have created more than twenty permanent jobs in a region where few job opportunities exist.

In Head's words, "What is so significant and important about creating these businesses is that all of it was done from the grassroots level. . . . We had to train each of [the employees], people who didn't have jobs, didn't have very many skills, were limited in terms of their transportation. They are now people who are doing the day-to-day operations of all of these businesses."¹¹

Building Blocks to a Sustainable Rural Development Model

If we look at small business and entrepreneurship as the future of rural economic development, then the SBA can play a major role in reviving rural communities. Similarly, federal programs like the Small Business Investment Company and the New Markets Venture Capital programs

are already addressing business development in rural areas through partnerships between the USDA and SBA. Programs like this need to be strengthened and tailored not only to the needs of rural communities but to the different types of rural communities there are across rural America.

In the version of the 2002 Farm Bill adopted by the U.S. Senate,¹² a provision creating a new rural microenterprise program was included. Unfortunately, this provision was dropped in the House-Senate Conference Committee; however, it did represent a significant step in making the Farm Bill more amenable to non-farm rural economic development. The small progress made in the 2002 Farm Bill makes the debate on the next Farm Bill (2007) crucial for all of rural America.

This provision would have created and funded a program within USDA specifically for the development and expansion of small businesses within rural communities. It would have provided capital for business development and resources for technical assistance to such businesses. It also recognized that rural small business development is vital to the sustainable development of rural communities and that rural development is no longer synonymous with agriculture.

Through tax policy, the federal government can make it possible for businesses to get off the ground and succeed in a rural environment. The New Homestead Act of 2003, based on the 19th century Homestead Act, provides a comprehensive policy response for rural communities facing significant depopulation and out-migration,



Mary Lueders

Land-Grant Universities Have a Role to Play in Their Communities

and is primarily a collection of tax provisions that provide incentives and rewards for those who locate in or start businesses in distressed rural counties. The New Homestead Act recognizes the social and economic challenges facing those rural communities and creatively links the entrepreneurial character of the region with policy initiatives that would provide greater investment into those communities and their economies. Most importantly, it recognizes the worth of these communities and the need for a substantial federal response.¹³

An expanded version of the New Homestead Act will be reintroduced in the next Congress with a goal of getting 20 Senate cosponsors. Though it is unlikely the whole bill will be passed as is, there is a good chance that some provisions will be drawn from it and added to other larger legislation, like tax bills and education bills. One portion of it—microenterprise tax credits—was included in the Senate JOBS tax bill earlier this year, but dropped in conference committee.

The Rural Broadband Access Loan and Guarantee program is another important means by which the federal government can “level the playing field” to attract business investment. The program’s goal is to ensure that rural consumers enjoy the same quality and range of telecommunications services that are available in urban and suburban communities. While this is a good start and will benefit the average rural household who can afford Internet access, stronger support will be needed for businesses whose broadband needs far exceed those of the average consumer.

Increased broadband access in rural communities also offers real promise to distance learning programs in rural communities where state universities and even community colleges are too far away for people to take advantage of these. States need to capitalize on this investment the federal government is making in the infrastructure of rural communities. To stay competitive in the global marketplace, as well as here at home, states must seize these opportunities and invest in their human capital.

At land-grant universities around the United States, there is much pride and satisfaction in being able to put state-funded research dollars back into the communities where these universities reside.

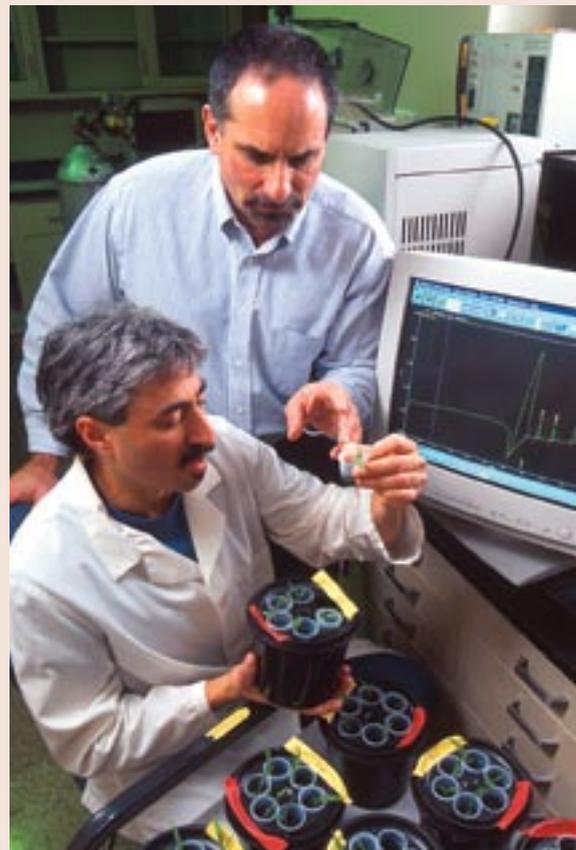
At the University of Maryland, for example, the College of Agriculture and Natural Resources has created a program called the Small Farm Institute (SFI), targeting socially disadvantaged and limited resource farmers. Started in 2000, SFI was fueled in part by two major changes in the Maryland farm economy.

For generations tobacco had been a rich crop to Maryland farmers, but a decline in tobacco production has created the need for farmers to develop alternatives. Secondly, there has been an extraordinary rise in Maryland—as well as throughout the mid-Atlantic region of the United States—in ethnic populations. These burgeoning ethnic populations have led to a growing market for ethnic products including African, Asian and Hispanic fruits, vegetables and specialty herbs. The university has provided the local farmers with training in production, pest management and marketing of these specialty products.

“Culturally based food habits are often one of the last traditions people change when they move to a new country,” explained Dr. Stephan Tubene, SFI director in the university’s College of Agriculture and Natural Resources.

“We invited the area farmers to the university to see what our researchers were doing. They knew they had to find an alternative to tobacco, so their enthusiasm to learn from us was high. They went back to their farms and tried out what we showed them. Many are now selling these products at farmers’ markets and supermarkets around the area.”

Partnerships like this between local farmers and researchers at land-grant universities are commonplace. Similar programs exist at dozens of universities and state colleges from Maine to California.



Land-grant universities came about in part because prior to the 1800s there were no public universities in America. In 1862, President Lincoln signed into law the Morrill Act, which gave 10,000 acres of federal government land to each state to sell and use the proceeds to create a public university to teach agriculture and the mechanic (engineering) arts.

Part of what has evolved out of the law is that these universities are playing a broader role in their communities than just educating students in the classroom. More should be done to expand this relationship—not only because enrollments are drawn mostly from the communities where these universities reside, but because as members of a community the universities have just as much responsibility as any other large institution with the resources to bring to bear on impacting the quality of life there.

Cooperation: A Key to Revitalizing Rural America

Jill Long Thompson

In the song “Little Man,” country music star Alan Jackson laments the plight of rural America and its leaders when he sings “the people . . . seldom think ‘bout the little man that built this town before the big money shut ‘im down and killed the little man.”

For those of us who live in, believe in and love our rural communities, these lyrics are more than a bit disconcerting. They ring a great deal of truth, as rural communities and small towns face unprecedented challenges to be relevant and prosperous in the economy of today and tomorrow. As goes the little man, so goes his community.

The facts are quite bothersome. Not only is the rural poverty rate higher than the metropolitan poverty rate, 340 of America’s 386 persistent-poverty counties are rural. While rural areas experienced a net gain of 18,000 manufacturing jobs in the 1990’s, they lost 573,000 such jobs between 2000 and 2003 and are losing them at a faster rate than urban areas.

Finding workable solutions is politically challenging, to say the least. In politics, money is a powerful tool. But, by its very nature, poverty has an extremely short supply of money. Additionally, as jobs leave rural communities, populations shift, leaving fewer and fewer policy makers who understand or have a commitment to these communities.

The solutions must begin within the communities themselves and must include proactive and strategic cooperation and coalition building. Cooperation within a rural community, across rural communities, and between rural and urban communities is essential.

For too long, rural communities have allowed themselves to be treated as an afterthought and have been content to merely fight for the leftovers of programs developed by urban policy makers to address urban needs. Rural America must instead identify the roles it will play in tomorrow’s economy and work alongside urban neighbors to develop policy that will accomplish its goals.

A cooperative business model will be important to the rural economy because it allows individuals to join together and pool resources to create power, cost efficiency, and economies of scale. This can be especially valuable in more sparsely populated communities where capital is not as readily accessible.



Marty Lueders

A cooperative business model will be important to the rural economy because it allows individuals to join together and pool resources to create power, cost efficiency, and economies of scale. Farmer-owned cooperatives have long been a fixture in agricultural communities across the country.

While cooperatives have changed over the years, their significance has continued to grow. In the United States, more than 100 million people are members of cooperatives, including credit unions. Farmer-owned cooperatives have long been a fixture in agricultural communities across the country. Supply co-ops have contributed to lower input costs and elevator co-ops have improved the profitability of member grain producers.

A number of small towns and rural communities are beginning to show the payoff of cooperatives to address their local challenges. Two such Minnesota communities, Vesta and Echo, were recently featured in Minnesota Public Radio for their cooperative development.

When Echo lost its grocery store last year, a group of women in the town raised the money to build a new store, which they operate as a not-for-profit cooperative selling a limited inventory of staple items. Since the store has opened, they have received several inquiries about the potential for other new businesses.

In Vesta, when the only café in town closed, the residents pooled their resources to build a cooperative restaurant that in many ways is the focal point of the small community. Without the restaurant, people would have to drive 20 miles to another town to visit a café. Keeping business local enhances economic opportunity for other business, according to the local bank’s loan officer. These two examples demonstrate how the cooperative model can be applied to address new problems facing rural communities.

When operating on a large scale, cooperation is important; on a small scale in sparsely populated communities, it is absolutely critical. The cooperative model of business holds great potential for rural communities across America.

Jill Long Thompson is the CEO and a senior fellow at the National Center for Food and Agricultural Policy. She is a former Undersecretary for Rural Development in the USDA and has also served in the U.S. Congress representing Indiana’s Fourth Congressional District.

Empowering Partnerships

The federal government has a strong role to play in partnering with state and local governments; indeed, it must be an engaged partner by enabling community and economic development projects to succeed; but the federal government does not need to micromanage rural development at the local level. One thing we have seen throughout this report is that major social transitions are underway in rural areas of the United States, and what we call rural America today is characterized as much by diversity as anything. Hardly does this mean the federal government has no role to play. On the contrary, federal (and state) policy will probably always be the catalyst for change at the local level.

At the end of the day, though, each community knows best what it needs to succeed. The USDA's Community Empowerment program of Empowerment Zones and Enterprise Communities (EZ/EC) provides a good model for a federal rural policy that supports local solutions. It addresses a comprehensive range of community problems and issues including many that have traditionally received little federal assistance, reflecting the reality that rural problems do not come in one-size-fits-all packages but can vary widely from one place to another.

East Prairie, Missouri (pop. 4,300), was designated an Enterprise Community in 1994 and given a 10-year grant by USDA. Through an extensive consultation process, including town meetings and surveys, the city administration put together a strategic plan to address the needs of residents. Housing, health care, education and jobs were central elements. Between 1994 and 2003, East Prairie received more than \$16 million in additional funding for projects like a new nutrition center for senior citizens and an emergency storm warning siren system.¹⁴ The city leaders have also found the Enterprise Community designation useful in leveraging other financing.

Since Congress created the empowerment program in 1993, there have been just 57 rural EZ/ECs, far too few.¹⁵ East Prairie is the only one representing Missouri.

Figure 5.4 Good Reasons to Scale-up Empowerment Zones and Enterprise Communities

There are many reasons we feel the EZ/EC program is good for rural America and why the program should be scaled-up. Here are six:

- It represents a **long-term** partnership between the federal government and rural communities—10 years in most cases—so that communities have enough time to implement a series of interconnected and mutually supporting projects and build the capacity to sustain their development beyond the term of the partnership.
- It is based on a comprehensive **strategic** plan that identifies and prioritizes the principal economic and social issues within the community.
- It places great emphasis on **partnerships** with federal and state agencies, local and tribal governments, private businesses, foundations and non-profits that engage the resources and commitments of these organizations to carry out portions of the community's strategic plan.
- It insists on broad-based citizen **participation** in planning, implementation and evaluation of the community's efforts to carry out its plan.
- It provides for **local self-determination** in setting priorities, and puts the federal government in the role of assisting communities with the priorities they have chosen and maintaining the integrity of the program's local implementation.
- It encourages **area-wide** approaches to local problem solving so that neighboring communities can benefit by pooling their limited resources of time, talent and funding.

Because of its success—East Prairie has met nearly every one of its benchmarks—it could provide useful lessons learned to neighboring communities.

Regional Development

Examples abound of partnerships created either through networks, cooperatives or clusters that extend across wide swaths of the country—the Dakota Growers Pasta Company, for instance, owned by more than a thousand wheat producers in North Dakota, Montana and Minnesota, has not only provided these growers with higher prices for their wheat but has created 300 new jobs in servicing the pasta company.¹⁶ Solutions like this also prove that innovation is alive and well in rural America.

Building regional partnerships will be critical to the survival of rural communities. Regions will have to find their own competitive niche, and this may be product agriculture, advanced manufacturing or professional services—in whichever case, success will depend heavily on technology and knowledge, meaning access to higher education is critical.

The Appalachian Regional Commission, mentioned above, and the recently established Delta Regional Authority (DRA) are two other examples. The DRA is a federal-state partnership that includes 240-counties/parishes in eight Mississippi Delta states. Led by a federal co-chairman and the governors of each participating state, the DRA is designed to remedy severe and chronic economic distress by stimulating economic development. The DRA's mandate is to help economically distressed communities to leverage other federal and state programs that are focused on basic infrastructure development and transportation improvements, business development and job training services. At least 75 percent of funds must be invested in distressed counties and parishes and pockets of poverty.¹⁷

An example of a state agency dealing in a more comprehensive way with rural economic development issues is the Texas Office of Rural Community Affairs (ORCA). Created in 2001, ORCA is responsible for developing policy addressing economic and quality of life issues for Texas' rural communities. ORCA also administers



Rick Reinhard

A variety of efforts to forge new regional development strategies are underway in America today. But what exactly is a region? Like rural communities themselves, the answer varies but depends on the objectives of regional partners and how far or wide their mutual interest extends.

rural health care programs and the state CDBG for non-entitlement communities (municipalities under 50,000 people and counties under 200,000). While other state agencies still maintain jurisdiction over programs affecting rural communities, ORCA is an example of a coordinated agency focused on rural development.

Rural communities must beware, however, that a regional model of development has the potential to make their interests subservient to larger communities in the region or district. Therefore, policies or vehicles that allow rural communities to “cluster” together for development and planning activities that advocate and serve primarily the interests of rural communities would be more welcome for the long-term development of rural areas.

Safety Nets in Times of Transition and Beyond

Another role for a coordinated federal effort must be to ensure that support services are available to those struggling during economic and social transitions. Here again, decisions made below the federal level on a day-to-day basis may be more immediate to ensuring programs are implemented effectively. By training community leaders and creating opportunities for networking and knowledge sharing, the federal government has a critical role in helping distressed communities.

The Federal Emergency Management Agency (FEMA) is an excellent model for states and local policymakers to learn from. Like the federal government, most state rural development initiatives are scattered

throughout state agencies—departments or commissions of agriculture, economic development, education, small business and commerce, health and human services. States would do well to move towards adopting “one-stop” models for providing services, and FEMA is an important example because it incorporates a single-point-of-contact approach. Temporary service centers connect people affected by natural disaster and other emergencies to a range of federal and state services.

Several examples exist where the FEMA model has been incorporated at the state level. In Virginia, for instance, Coordinated Economic Relief Centers provided displaced workers and other low-income community members with a broad range of programs and services in one location including

Rural America must **identify the roles** it will play in **tomorrow's economy** and work alongside urban neighbors to **develop policy** that will accomplish its goals.

access to food assistance, education services and health services.¹⁸ The convenience of one-stop service centers is especially important in remote areas where obtaining services is exacerbated by long distances and lack of public transportation. Clustering of services in one centralized location also strengthens relationships between different groups of providers.

One of the biggest health care issues in rural America is the short supply of physicians, nurses and other medical personnel. Some rural areas no longer have enough patients to support a medical practice or a provider, let alone a hospital or clinic. Telemedicine, the use of telecommunications technology to deliver health care services, is growing rapidly with the development of broadband technology and another reason the federal government should step up support for increased access.

Georgia has been a leader in dealing with the challenges of delivering quality health care to its rural communities using telemedicine, and has allocated substantial funding to establish the formation of regional networks. The effort began by focusing on single-county health networks, but spread to 19 regional networks covering nearly two-thirds of Georgia's rural counties. The goal was to build new local and regional partnerships among health care providers

and community leaders. The state served as the catalyst but the partnerships were built at the local level.¹⁹

While distances cannot be shortened, there are ways to make their effect less keenly felt. The Internet is an effective way of doing this, but is more helpful a tool in addressing some problems than others. Food deserts, for instance, merit more traditional and perhaps resource-intensive interventions. So far this problem has barely begun to be addressed on a wide scale. A market-oriented solution is unlikely for the short-term, as industry reaction to conditions in rural areas is what presaged "desertification" to begin with. Some form of public assistance is necessary through the short term, whether that be improved access to public transportation or increased funding for direct food assistance or some combination of approaches.

In the long run, the only way to ensure that businesses are attracted to locate in these communities is by cultivating the economic potential that exists there. Communities that survive and prosper will do so because they have harnessed their potential and have the ability to evolve in sustainable ways in the ever-changing economic landscape of rural America.

Jon M. Bailey of the Center for Rural Affairs contributed to this chapter.



Jim Stipe

With the number of distance learning programs expanding every year, the Internet can serve as an important way to shrink the distances between rural residents and wider educational opportunities.