

Henry A. Wallace Center for  
Agricultural & Environmental Policy

**Agriculture as a  
Tool for Rural  
Development:  
Workshop  
Proceedings**

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April 2003

Workshop Held in Collaboration with the National Rural  
Development Partnership on August 24, 2002,  
in French Lick, Indiana

Edited by Kate Clancy, Shelly Grow, and Lydia Oberholtzer

## Acknowledgements

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## List of Acronyms

CAPCO	Certified Capital Companies Program
CDFI	Community Development Financial Institution
CDVCA	Community Development Venture Capital Alliance
CED	Committee for Economic Development
CSA	Community Supported Agriculture
CSREES	Cooperative State Research, Education, and Extension Service
EDA	Economic Development Administration
EDC	Economic Development Corporation
ESO	Entrepreneurial Support Organization
GEM	Global Entrepreneurship Monitor
HHS	Health and Human Services
NIC	Networks, Intermediaries, and Clusters
NIF	National Issues Forum
NRDC	National Rural Development Council
NRDP	National Rural Development Partnership
OCM	Organization for Competitive Markets
PBS	Public Broadcasting System
RBIC	Rural Business Investment Company
RC&D	Resource Conservation and Development Council
RD	Rural Development
RFP	Request for Proposal
RUPRI	Rural Policy Research Institute
RUS	Rural Utilities Service
SARE	Sustainable Agriculture Research and Education
SBA	Small Business Administration
SBDC	Small Business Development Center
SBIR	Small Business Innovation Research
SRDC	Southern Rural Development Center
SRDC	State Rural Development Council
USDA	United States Department of Agriculture
VEN	Virtual Entrepreneurial Network

## I. Workshop Background

In 2001, the Rural Development Program of the National Research Initiative (NRI) at USDA-CSREES and the Farm Foundation each awarded grants to the Henry A. Wallace Center for Agricultural & Environmental Policy at Winrock International (Wallace Center) to convene and publish the results of a workshop to examine the issue of utilizing agriculture as a tool for rural development. The one-day workshop, planned in collaboration with the National Rural Development Partnership (NRDP), was held on August 24, 2002, in conjunction with its annual meeting in French Lick, Indiana.

Our reason for addressing this issue is that most rural development programs today pay little attention to agriculture because it is not perceived as a viable engine of growth [2]. For at least the last 50 years, as the numbers of farms and farmers have dwindled, U.S. rural development policy has focused less on farming and natural resource extraction and more on those elements that address the causes and outcomes of poverty, such as jobs, housing, health care, and infrastructure. The U.S. Department of Agriculture's (USDA) rural development agencies in the main reflect this: There is a modest rural business/cooperatives program, while the other three address housing, utilities, and community development.

On the farm side, however, hundreds of projects have been initiated across the U.S. in the last decade to increase farmers' incomes. Farmers are under pressure from the aging of their ranks and the low margins on raw commodities. They are keenly aware of the challenges presented by global competition, various trade policies, and corporate control of agriculture. But a significant number still hold out hope that capturing more of the value of agricultural products can prevent further losses. Funded from diverse sources, and in most cases with small budgets, the projects include a variety of direct marketing, crop diversification, cooperative development, value-added, and community-supported efforts aimed at maintaining the viability of small and mid-sized farms and their communities. Still, despite all this attention to 'agricultural development,' the division between rural development and food and farming is wide.

Many rural development professionals continue to be skeptical about the possible contribution of agriculture to future development. Some of this doubt arises from the fact that agriculture and not rural development has controlled the farm bill agenda and appropriations for so many years [1]. But much of it is related to the economics of the rural situation and the question of whether value-added agricultural business can make a significant contribution to the severe economic problems found in many rural areas [2]. Yet even if new agricultural ventures are successful in only some areas, the many ongoing and

planned initiatives deserve more attention from the rural development community. Although anecdotally there have been a number of agricultural projects that meet the definition of rural development, there has been little strategic thinking and analysis about why these efforts succeed or fail. As a result, these projects, where successful and replicable, have not 'scaled-up' to larger institutional or policy levels. Many innovative farm and non-farm income-enhancement ventures remain unknown to, or unexamined by, most rural development practitioners because they are scattered across the country and because of the separate paths followed by value-added agriculture and rural development.

The Wallace Center and the NRDP thought it would be timely and useful to bring together rural development practitioners from around the country to discuss barriers and opportunities in acknowledging and supporting agriculture and agricultural activities (e.g., small-scale processing and marketing) as an intentional rural development strategy.

The objectives of this meeting were:

1. To engage an array of rural development practitioners about the issue through presentations by speakers and small group discussions;
2. To identify the barriers to including agriculture in rural development and to identify possible ways to lower these barriers; and
3. To understand what policy initiatives and changes would facilitate the acceptance of value-added agriculture as a rural development strategy and the contributions it can make to national food security.

The workshop program consisted of four different activities (see agenda in Appendix A). Speaker John Allen, Director of the Center for Applied Rural Innovation at the University of Nebraska-Lincoln, set the context for the morning session. He stated that while macro trends continue to drive the structure of food and fiber production towards one that is controlled by a few large agricultural businesses, a new form of food and fiber production is developing based on the needs and preferences of rural people and consumers. This production system takes advantage of small-scale entrepreneurship and focuses on improved farm profits, greater social and economic well-being in rural communities, and an enhanced ecological system. Following Dr. Allen's talk, workshop participants in groups of five or six convened to identify obstacles that keep agricultural development from being used as a tool for rural development.

After lunch, a panel including Robert Gibbs, Senior Regional Economist with USDA's Economic Research

Service; Don Macke, Co-Director of the Center for Rural Entrepreneurship; and Tony Smith, at the time National Program Leader with USDA's Cooperative State Research, Education, and Extension Service, set the context for the afternoon sessions. They respectively described education in rural areas, entrepreneurial and marketing issues, and financing mechanisms available to farmers. Following their presentations, the small groups met again to identify opportunities for incorporating agriculture-based innovations into future rural development efforts.

The workshop proceedings that follow include: (1) the speakers' presentations; (2) the obstacles to using agricultural development as a tool for rural development, as identified by individuals and in group discussions; and (3) the opportunities identified by the participants for incorporating agricultural development into rural development. As much as possible the responses have been presented in the participants' own words. We have removed duplicate ideas for ease of reading and use.

These workshop proceedings are intended to bring the ideas of those attending the workshop to a wider audience of agricultural and rural development practitioners. We also hope that they will contribute to the broader ongoing discussions about policies and programs that will facilitate the inclusion of agriculture in rural development institutions and activities.

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## II. The Collaborators

The Henry A. Wallace Center for Agricultural & Environmental Policy uses its expertise in research, policy analysis, and capacity building to foster agricultural and food systems that are socially equitable, economically viable, and environmentally sound. Projects are a unique mix of applied research and capacity building through collaborations with other scientists, public and private organizations, and policy makers. Wallace Center projects focus on: (1) research that contributes to new policies and programs; (2) promoting agricultural development; (3) improving agri-environmental management; (4) identifying environmental services from agriculture; (5) convening diverse groups; and (6) building policy expertise in rural and agricultural communities. The Center also provides leadership within the U.S. sustainable agriculture and conservation communities and delivers news and information to a broad audience. The Wallace Center is a unit of Winrock International and is based in Arlington, Virginia. More information is available online at <[www.winrock.org/wallace](http://www.winrock.org/wallace)>.

The National Rural Development Partnership brings together partners from local, state, tribal, and federal governments and from the for-profit and non-profit private sectors. The NRDP has three main components: (1) State Rural Development Councils (SRDC) that convene key rural players in their states to address critical community concerns and respond to fast-breaking opportunities; (2) the National Rural Development Council (NRDC), consisting of senior program managers representing over 40 federal agencies as well as national representatives of public interest, community-based, and private sector organizations; and (3) the National Partnership Office, serving as the organization's administrative center, in Washington, DC. The NRDP understands the potential role rural development practitioners could play in providing economic development expertise to farmers and recognizes the value that an improved farm livelihood could have on rural communities. More information is available from NRDP/National Partnership Office, 1400 Independence Ave. SW, Room 4225, MS 3205, Washington, DC 20250; phone (202) 690-2394; fax (202) 690-1262; Web site <[www.rurdev.usda.gov/nrdp/index.html](http://www.rurdev.usda.gov/nrdp/index.html)>.

### III. Sustainable Agriculture and Rural Development: Opportunities for Today

*John C. Allen, Professor and Director  
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Agriculture in the first two decades of the 20th century revealed the fears and contradictions of a nation wavering between a rural and an urban identity. As urban population levels approached that of people living on farms, the countryside became the subject of worried predictions. In fact, many urbanites saw agriculture as in a crisis driven by the disproportionate increase in population versus farm output. In 1900, the U.S. population was 76.1 million; by 1920 the numbers had increased by 39 percent to 105.7 million. Farm output during this 20-year period increased by only 17 percent, and it continued to show a decrease year after year [1].

Food prices during this period also reached new highs—a sign, some believed, of the sharpening disparity between stagnant production and a swelling population. The price of wheat jumped from 69.3 cents per bushel in 1903 to 92.6 cents the next year; after dropping in 1907 and 1908, it shot up the following year to 99.1 cents [2].

The national census showed that the total acreage of wheat planted decreased by 16 percent between 1899 and 1909, while its value increased by 78 percent during the same period. Despite these shifts in price, production grew by 25 percent during the first quarter of the 20th century. The amount of cropland per person fell along with the increase in population, but output per person increased until 1921, in part because the automobile had saved millions of acres formerly used for raising feed for horses and mules [3].

The numbers of farms and the rural population also failed to indicate a clear downward trend. During the period 1900 to 1910, farm numbers increased by 10 percent. Although the national population grew by 21 percent, the rural population grew by only 11 percent, so the countryside was growing at a slower rate than the cities. Then, between 1910 and 1920, rural population growth almost ceased. During this period farm numbers increased by 1.4 percent and the rural population grew by 3.2 percent, while the cities grew by 30 percent [4].

The appearance of disorder in places where food was grown, stagnant production, and lack of new entrants into farming, coupled with rapid urban growth, increased prices, and lower perceived output, created a great deal of unease in urban areas. City dwellers worried that they had become dependent for their own growth on “a backward hinterland that might slow down U.S. growth and

progress” [5]. Widespread soil erosion, declining acreage in production, and reduced farm output created serious concerns about whether the U.S. could continue to feed itself.

By 1908, economists were predicting short harvests and a global industrial crisis [6]. A population increasingly isolated from agriculture found it difficult to understand the fluctuations in weather and associated food costs that are integral to farming. City dwellers demanded that agriculture look beyond local prosperity to serve the needs of the greater economy. Newspaper articles of the day vilified farmers; a 1908 *New York Times* editorial, for example, claimed that “[a] pretty good case might be made ... that the farmers are our real oppressors, the true enemies of the consumers of their products” [7]. A move to reform agriculture in the name of national prosperity began.

During this same period many people in rural areas struggled in poverty. Students of agriculture agreed that the cities had received the full attention of sociologists and reformers, which left the countryside “largely incidental and secondary” to national life. Macy Campbell, a rural sociologist, summed up the situation: “Ultimately we all go up with the farmer or we all go down with him.” If the cities are allowed to drain the natural and human resources from the land, “the foundation of society crumbles, and civilization is ripe for decay” [8].

The Commission on Country Life, created by President Theodore Roosevelt in 1908, was formed as an outgrowth of these issues. Its goal was to integrate farmers into the national life. Liberty Hyde Bailey, an accomplished student of agriculture who later chaired the commission, described depopulation of the countryside: “The buildings are shabby; the grounds are bare; the fences are down; the yards are foul with weeds and litter; the cattle stand in mud; the land is hard run; the roads are poor; the inside of the house is austere and comfortless” [9].

Bailey worried that the mechanization of agriculture, beyond its impact on farming practices, would alter the sentiment of rural people for the land. He was concerned that if agriculture moved to an industrial model, country people would lose sympathy with the natural systems that provided for them. Bailey believed that rural institutions, including churches, schools, and home life, would save the countryside from industrialization because these pillars of society held the farmers and their humble conservationist values on the land. He saw the goal of the Country-Life Movement as one of keeping rural populations self-sustaining [10].

While Bailey and others were concentrating their efforts on developing a sustaining food and fiber system, others had different visions for American agriculture. One of

those with a different vision was Edwin G. Nourse, whose career focused on creating an industrial revolution in the countryside. Nourse argued that agriculture should look strictly like an economic enterprise, and rural depopulation was a necessary “bleeding” of the population. His primary view was that farming had no other purpose than to serve the nation’s industrial expansion. Nourse brought the principles of business enterprise to the study of agriculture and called for a “change in personnel and organization, in fact, a thorough recasting of the whole business of farming” [11]. “Nourse did not want farmers who insisted on a definitive ‘rural life’ but those who would lend their land and capital to the industrialization of agriculture,” and saw the demise of some as necessary to “set our flag over every commercial rampart of the world” [12]. As Stoll has summarized, “This is the final context for farms and farmers in the world that Nourse imagined: subsumed under the flag of a corporatized world, enlisted into the service of muscular commerce” [13].

This picture of American history between 1899 and 1920 shows the tug-of-war between the city and the countryside for cultural dominance [14]. The issues faced today in rural areas and in the means of producing food and fiber in the U.S. are not new. In fact, when vertical integration of agriculture is examined, we see that Nourse’s vision is coming true.

A recent study by William Heffernan and colleagues, “Consolidation in the Food and Agriculture System,” does an excellent job of illustrating the concept of food chain clusters [15]. Some of the largest food chain clusters in the world include companies like Cargill/Monsanto, which, through its relationship with Continental Grain and Archer Daniels Midland Company (ADM), now provides for more than 60 percent of the port facilities in the U.S., more than 40 percent of all U.S. corn exports, a third of all soybeans, and at least 20 percent of wheat exports [16].

Another food chain cluster is ConAgra. ConAgra controls the processing of food farther along the food chain than Cargill and ADM. ConAgra’s products include brand names such as Armour, Monfort, Swift, Butterball, Healthy Choice, Peter Pan Peanut Butter, Hunts, and many others. Currently ranked second behind Philip Morris as the nation’s leading food processor, ConAgra’s goal is to make itself the world’s largest and most profitable food company by 2005 [17].

This study illustrates also how the Novartis/ADM food chain cluster links chemical companies and seed producers to large pools of producers through relationships with cooperatives. These food clusters continue to grow in influence across the globe as increased speed of consolidation leads to a ‘gene to shelf’ system of agribusiness in the U.S. So, what do these changes mean

for sustainability in agriculture and the viability of rural places?

The issues that have driven current U.S. farm policy have been internalized within our nation’s population for 100 years. The use of agriculture in industrial expansion of the U.S. across the globe is well documented. Recent events have made issues such as food security, food safety, and sustaining American culture—issues that are inextricably linked to rural places—central topics in social and economic debate within the U.S. and throughout the world.

### **Are There Opportunities To Change the Trend?**

Recent consumer preference surveys reveal some important changes in how U.S. citizens view rural communities and agriculture. According to a 1999 report from the Center for Applied Rural Innovation, which asked rural citizens in Nebraska what they preferred for the future, more than 84 percent favor a population dispersed across the landscape, though only 37 percent believe it will occur [18]. Eighty-five percent of survey respondents want rural communities to continue to exist, and 88 percent prefer to have a variety of businesses in their small towns. More than three-quarters of rural Nebraskans prefer that farms be owned and operated by families who live on them. Only 36 percent prefer that food be grown using biotechnology.

These findings indicate that rural citizens favor an agricultural and community structure that provides opportunities for small businesses and family farms to thrive. Yet, their expectations are that this may not happen. While it is not surprising that rural people want a high quality of life with communities and agriculture connected, there is now consumer preference data to show that urban and suburban residents are willing to pay a premium for food and fiber produced in ways that support this preferred future.

A study of consumers in Wisconsin, Missouri, Iowa, and Nebraska, conducted by the Food Processing Center at the University of Nebraska–Lincoln in 2001, indicated that 35 percent of the households in these states had purchased organic foods, 36 percent had purchased all-natural foods, and 27 percent had purchased both [19]. Of those who had not purchased organic or all-natural foods, at least 58 percent indicated they would purchase locally grown organic and/or all natural products if these choices were available. Sixty-six percent of those surveyed believe that the attribute of ‘environmentally friendly’ is very or extremely important in their decision to purchase produce, while 62 percent said that it was very or extremely important that a product is made by a small local company. Almost 43 percent of the respondents said they would pay 10 percent or more above market price for

products grown or made locally. These findings indicate that urban and suburban consumers, like those in rural areas, are attracted to locally grown products that protect the environment and small town viability.

### **Do Examples Exist That Demonstrate It Is Possible?**

In recent years there have been numerous case studies of agricultural producers who have identified markets and provided high-quality, locally grown food at a profit. Just a brief sampling of those ventures illustrate what the data show—that it is possible to produce on a family farm and make it a profitable business [20].

One example is a grass-based dairy in southeastern Minnesota where the farmers have set their own prices by marketing and distributing premium-quality specialty dairy products. Another is Papa Gino's Herb Farm in Roca, Nebraska, where the owners have taken a small mom-and-pop operation, and drawing upon Internet marketing, turned it into a leading e-business. They sell herb plants, scented geraniums, vegetable seedlings, and herb-derived crafts. Another model is Libby Creek Farms near York, Nebraska, which has organized a local CSA to grow, sell, and distribute vegetables, chickens, and eggs. The list goes on and on, but these brief examples illustrate what is possible when producers connect directly with consumers.

### **Nebraska Activities**

*Nebraska EDGE (Enhancing, Developing and Growing Entrepreneurs)* [21] is the umbrella organization for rural entrepreneurial training programs hosted by local communities, organizations, and associations. Since 1993, Nebraska EDGE has assisted more than 1,250 individuals, entrepreneurs, small business owners, and their partners in starting and improving their businesses. Over 65 training courses have been held from Scottsbluff to Omaha and in many communities in between.

Nebraska EDGE represents business, government, and education working together to create jobs for Nebraska communities. Although the University of Nebraska's Center for Applied Rural Innovation serves as coordinator for the program, the key to its success is a statewide network of public and private partners working together in their local communities.

In 2000, the Nebraska EDGE program began a partnership with NxLevel Training Network and the USDA's Sustainable Agriculture Research and Education (SARE) program to offer "Tilling the Soil of Opportunity: A Guide for Agricultural Entrepreneurs" to agricultural producers across the nation. NxLevel is currently working with numerous organizations to deliver this training to small and mid-sized producers who are considering or currently

operating a diversified, value-added agricultural operation. To date, over 20 states are using the "Tilling the Soil" curriculum to help their agricultural producers explore their innovative ideas.

*The North Central Initiative for Small Farm Profitability* [22] is a four-state, multi-institutional, farm-to-fork effort designed to improve the profitability and competitiveness of small and mid-sized farms in the Midwest. This initiative brings together a unique and powerful blend of farmers, food and social scientists, marketers, Extension educators, economists, and others who are working to identify, adapt, and apply practical, science-based, market-driven strategies that work. Nebraska is currently experiencing a strong interest in cooperative development and other value-added ventures. Such development will assist in increasing economic and social opportunities; will stimulate innovation within the rural economy; and will contribute toward rural community revitalization throughout Nebraska. The following are examples of ideas that originated in Nebraska and became a reality:

- In Kimball, several producers developed a hay-marketing cooperative that markets high quality alfalfa.
- In the Sandhills, ranchers are stocking ponds with yellow perch and forming a fish-producing cooperative.
- Dairy producers and ranchers near Callaway are working together to experiment with seasonal grass dairies as a way of using forage to increase profitability.
- A group of pork producers in southeastern Nebraska has formed a cooperative to market pork meat products directly to consumers.

*ConNEecting Nebraska Technology Training* [23] is one initiative of the University of Nebraska-Lincoln's Center for Applied Rural Innovation. It encompasses three major programs whose goals are to enhance a community's knowledge and move it towards the Information Technology era. The "Master Navigator Program" is an introductory series of classes that teach adults the basics of using a computer and accessing the Internet. The "Electronic Main Street Program" provides classroom instruction for businesses to learn about existing technology opportunities to increase their market potential, communicate with suppliers, and develop a Web presence. "Technologies Across Nebraska" is a team of UNL Extension educators and many professionals organized to assist communities in developing technology plans. The planning process includes developing an information technology committee, identifying needs through the use of a community assessment tool, and developing a plan for the future.

## Why Have Some Succeeded and Others Failed?

When we examine why some of these farm ventures linked to rural communities have succeeded and others have failed, several common elements become clear. First, each of the successful endeavors has identified local and regional markets, focused on producing food and fiber of the highest quality, and set prices to reflect that value. Second, the successes we see have strong connections to their communities. By building relationships with local citizens and local community groups, these enterprises are seen as community builders who work the land in a sustainable fashion. Third, these producers have conducted very focused market research and financial analysis as they developed their business plans. And fourth, they have stayed with a vision when others have moved away to find jobs working for someone else.

## Conclusion

In this presentation I have attempted to illustrate how we have arrived at a point in history where a few large agribusiness firms control a majority of the food and fiber market. Policy developed today continues to reflect a debate, however mistaken, of 100 years ago. It is not surprising, therefore, to see a federal farm bill that provides incentives for larger and larger production units and forgoes investment in sustainable family farms and communities.

Yet while the trend for vertical integration continues, there is clear empirical evidence that supports rural citizens' desires for an integrated farming and community lifestyle. Consumer preference data also support the notion that consumers are attracted to goods produced by family farms in an environmentally friendly manner. We also have examples of how successful that can be. So, while the macro trends continue to move toward a world of food and fiber production controlled by a few large agricultural businesses, a new form of food and fiber production is developing, with the potential for improving farm profitability, enhancing social and economic well being in communities, and sustaining natural systems. The challenge is ours to take up. Through organizing, good business planning, and education, we may in fact change the trends that so many U.S. citizens see as lacking in the fundamentals of humanness, animal welfare, and environmental integrity, and failing to sustain local places where rural citizens can enjoy a high quality of life.

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Initiative for Small Farm Profitability, Web site <[www.farmprofitability.org/local.pdf](http://www.farmprofitability.org/local.pdf)>.

20. North Central Initiative for Small Farm Profitability: Ken Wurdeman, Coordinator, University of Nebraska–Lincoln, 58 Filley Hall, Lincoln, NE 68583; phone (402) 472-0807; e-mail [kwurdeman2@unl.edu](mailto:kwurdeman2@unl.edu); Web site <[www.farmprofitability.org](http://www.farmprofitability.org)>.

21. Nebraska EDGE: Marilyn Schlake, Program Coordinator, Nebraska EDGE, Center for Applied Rural Innovation, University of Nebraska–Lincoln, 58 Filley Hall, Lincoln, NE 68583-0947; phone (402) 472-4138; e-mail [mschlake@unl.edu](mailto:mschlake@unl.edu); Web site <<http://nebraskaedge.unl.edu>>.

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#### **IV. Rural Schools in a Changing Economy**

*Robert Gibbs, Senior Regional Economist  
Economic Research Service, U.S. Department of  
Agriculture, Washington, DC*

##### **Introduction**

The rural education system has come a long way since the days of one-room schoolhouses, 6-month school years, and the relatively modest academic goals of basic literacy and numeracy. The far more complex rural school today mirrors a rural economy that has likewise moved away from its roots in agriculture, as well as moved to a service-based national economy with an increasing need for highly skilled workers.<sup>1</sup>

The link between the content of rural schools and national economic trends is hardly of recent vintage, however. A century ago, reformers called for an educational system that could prepare rural youth for the factory floor as well as the field. Young people left rural communities in great numbers to work in larger towns and cities, so what was taught in rural schools determined in part the quality of labor available to urban employers.

Today, the nation's rural and urban areas are bound together more closely than ever by extensive transportation and communications networks. The movement of people (and the human capital they carry with them) across the rural–urban divide has loosened over time the ties between rural schools and local labor markets. Given this, rural schools have as large a stake as their urban counterparts in preparing their students to work in a globalizing national economy where higher-order intellectual and technical skills are in increasing demand, and routine physical and mental tasks are growing scarcer.

Continued rural-to-urban youth migration, coupled with a high-skill national economy, would alone be sufficient to spur the movement toward more academically rigorous practices emerging in many rural schools. Yet a sole focus on the national context ignores broad changes occurring in many parts of rural America. Many rural places—although by no means all—are fully participating in the trend toward services and higher-skill jobs, thereby creating new links between the education acquired in local schools and job opportunities in the local economy.

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<sup>1</sup> Although the term 'rural' is used in this presentation, the statistics cited refer to counties that lie outside metropolitan areas as designated by the U.S. Office of Management and Budget. 'Rural' was used instead of 'nonmetropolitan,' however, for ease of exposition.

With few exceptions, there has been little research attempting to quantify the relationship between what is taught in schools and its impact on the local community. Nonetheless, educators are beginning to explore these possibilities through a new emphasis on place-based educational practices that promote students' awareness and appreciation of their cultural, natural, and economic environments. Such an approach may improve the chances that rural youth will identify unexploited potential for local community and economic development.

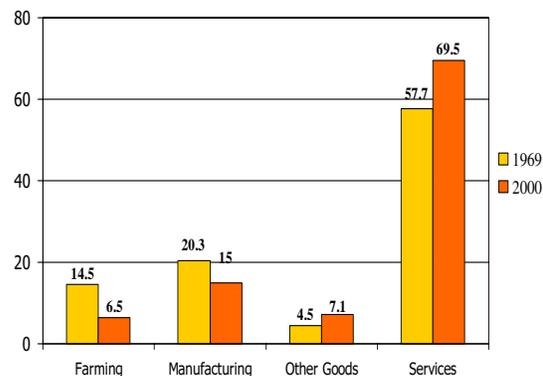
This presentation begins with an overview of emerging rural economic trends and the changing educational requirements associated with these trends. Next, the ability of rural schools to respond to a changing economic environment is examined, including an assessment of the strengths and shortcomings of the rural education system. Finally, we take a brief look at emerging practices that address the dual needs of preparing students both for the global marketplace and to seize new opportunities close to home.

### A New Rural Economy

Historically, urban and rural economic activity has been characterized by a relatively strict separation of functions, with farming, mining, and routine manufacturing jobs that require less-skilled labor concentrated in rural areas. Extractive and manufacturing employment comprised the majority of rural jobs as late as the 1960 Census. In large part because industries in rural areas typically required a modest amount of formal schooling, education attainment among rural adults remained well below the national average. In 1990, there were more than twice as many rural adults over the age of 25 without a high school diploma as there were college graduates. Unsurprisingly, most rural counties competed for jobs in large part on the basis of low labor costs rather than labor quality.

Although many rural counties today continue to depend on the lure of cheap land and labor, rural America as a whole has followed the national trend toward a service-based economy and increasing demand for well-educated and skilled workers. Probably the most fundamental change in the rural economy in the last 30 years has been the transition from goods production to services. The decline in goods production is most evident in the trends in farm employment: in 1969, one of every seven rural workers was engaged in farming. Today the ratio is one in 16, or 6.5 percent (Fig. 1). The drop in manufacturing's employment share in rural counties has been less precipitous than in urban counties, which lost about half of their manufacturing jobs between 1969 and 2000. Meanwhile, the service sector now yields more than two-thirds of all rural jobs.

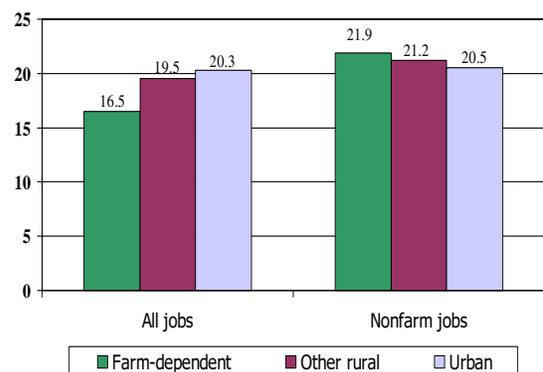
**Figure 1: Rural Employment by Industry, 1969 and 2000 (Percent)**



Source: Calculated by ERS using data from the Bureau of Economic Analysis

The economies of farm-dependent counties—those in which at least 20 percent of labor and proprietors' income is earned in farming—performed reasonably well despite the relative decline of agricultural work. Total employment growth in these counties during the 1990s was lower than in other rural counties (Fig. 2).

**Figure 2: Job Growth—Farm, Other Rural, and Urban Counties, 1990–2000 (Percent)**



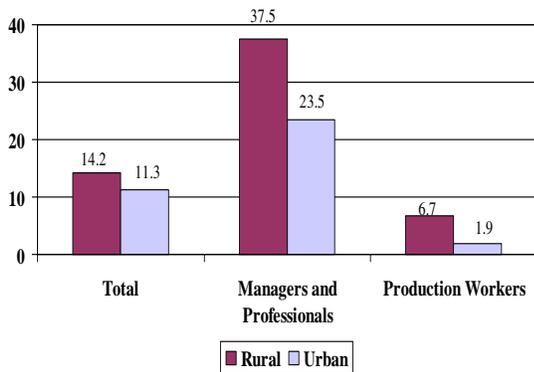
Source: Calculated by ERS using data from the Bureau of Economic Analysis

Yet non-farm employment growth in farm-dependent counties appears to have been slightly higher than average, which suggests that the prospects for off-farm employment or for second careers among farmers and their families were generally positive during this period.

A key measure of changing skill requirements is the growth in high-skill occupation groups in rural areas during the 1990s. Employment growth was faster overall in rural counties, according to a comparison of the 1990 and 2000 censuses (Fig. 3). Yet the rural-urban gap in the growth rate for managerial and professional workers is even larger. The gap exists for production workers as well,

but note that overall growth rates are much lower for these workers.

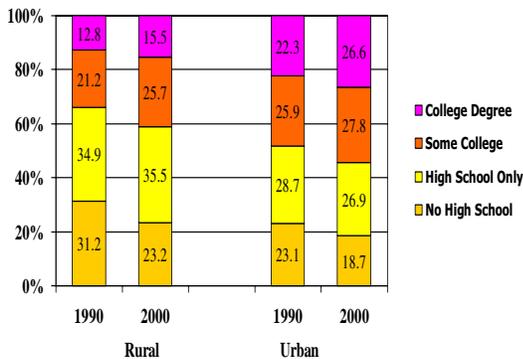
**Figure 3: Employment Growth in Selected Occupations, 1990–2000 (Percent)**



Source: Calculated by ERS using data from the U.S. Census Bureau

The trends in industry and occupation are mirrored by rising educational attainment in the rural population. Between 1990 and 2000, the share of rural adults ages 25 and older without a high school diploma fell by about 8 percent, compared with 4.5 percent for similar urban adults (Fig. 4). The change for rural college graduates was modest by this measure, a 3 percent increase, but keep in mind that this represents a sizable relative share increase.

**Figure 4: Educational Attainment, 1990–2000**

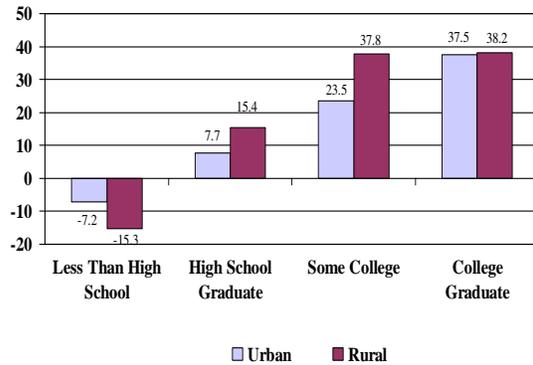


Source: Calculated by ERS using data from the U.S. Census Bureau

The growth in rural educational attainment appears to be even more dramatic when measured as change in the size of the population in each education category. The rural adult population without a high school diploma fell by 15 percent in the 1990s (the urban high school dropout population also fell in urban areas, but by half the rate) (Fig. 5). At the other end of the education spectrum, the growth rate of rural college graduates was quite strong, a gain of over one-third, and about the same in rural and urban areas. In both of the middle categories, high school graduates and college attendees without bachelor's

degrees, the rural population grew faster than the urban population.

**Figure 5. Rural Population Change by Educational Attainment, 1990–2000 (Percent)**



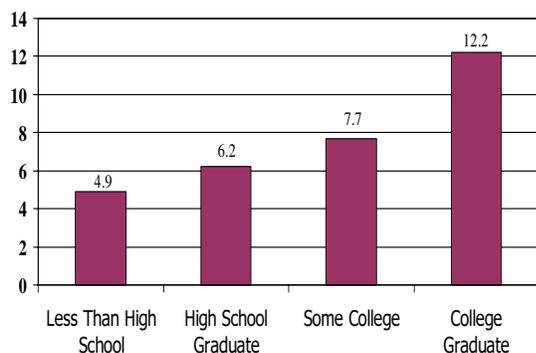
Source: Calculated by ERS using data from the U.S. Census Bureau

Standard regional economic theory holds that an increase in the number of workers of a particular group in an area is an expected response to increased demand for, and rewards to, this group. The theory held up well in rural areas during the 1990s: The rise in the share of adults with college experience was matched by rising returns to additional education. Average weekly earnings for college graduates were already nearly twice that of high school dropouts at the beginning of the decade. During the last 4 years of the 1990s, as the business expansion neared its peak, real earnings grew over twice as fast among college graduates (Fig. 6).

Places as well as individuals seem to be experiencing increasing returns to education. The rise in educational attainment has occurred in practically all parts of rural America, but large disparities remain. Educational attainment exhibits strong geographic concentration. High rates of adults without a high school diploma are especially prevalent in persistently poor counties in the South and in the Four Corners area of the Southwest. Low dropout areas are most common in the central and northern Rockies, in central New England, and in the west central Great Plains.

If we divide rural counties into quintiles based on their share of adults completing high school at the beginning of the 1990s, then compare their employment growth rates over the decade, a clear trend emerges. High-education counties, those in the top quintile, experienced growth approaching twice that of counties in the bottom quintile (Fig. 7).

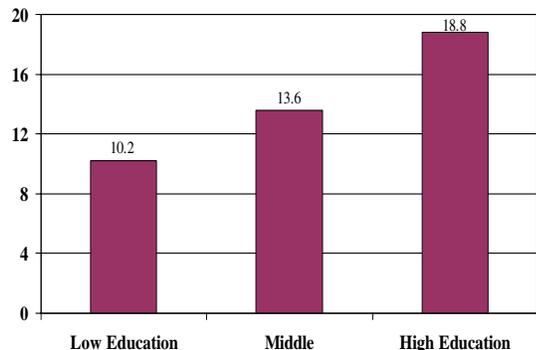
**Figure 6. Rural Real Earnings Growth by Education, 1996–2000 (Percent)**



Source: Calculated by ERS using data from the Current Population Survey

As noted above, the advantage to high-education counties is a departure from trends in previous periods, when manufacturers were attracted to rural areas with low labor costs, coinciding with low-education areas. The sea change has occurred partly as a response to the spread of new production technologies and management practices that place a premium on problem solving and a sufficient level of literacy and numeracy skills.<sup>2</sup>

**Figure 7. Rural Employment Growth by 1990 Education Levels, 1990–2000 (Percent)**



Source: Calculated by ERS using data from the U.S. Census Bureau

### Rural Schools in a Changing Economic Environment

Many of the 20th-century reforms in rural education were guided by the belief that the small, autonomous schoolhouse was ill-equipped to prepare youth for a labor market in which factory and office work were beginning to dominate. Small schools in the open countryside, in particular, were perceived as inefficient, both financially

<sup>2</sup> Employment growth rates in Figure 7 are based on 1990 and 2000 Census statistics. These growth rates will differ from the job growth rates calculated with data from the Bureau of Economic Analysis.

and in the method of instruction, and often lacking in objectives beyond teaching the most basic curriculum. As the century progressed, new models, based primarily on the urban experience, led to a series of fundamental changes including school consolidation, and curriculum and grade expansion. These changes reflected a confluence of political, social, and economic forces. But from a labor market perspective, the new models helped to codify the mission of rural schools to integrate rural youth into an industrializing nation.

At the same time, there was a tacit recognition that rural areas would continue to lose a large share of their young people, including nearly all who chose to attend college. Population levels and employment in many rural counties were stagnant or declining through much of the 20th century, and jobs requiring a high degree of education were scarce in rural places, with the exception of a few critical professions such as teaching. The so-called ‘brain drain’ resulting from this outward stream of rural human capital was also seen as severely eroding the return on educational investment. Advanced training, for instance, was not as aggressively pursued because the additional expense could not be captured, the resources were simply unavailable, and the returns to individual students were not perceived as being sufficiently high.

The modernizing forces of the past century are still very much in force. To a large extent, the current educational reform movements extend and update the modern model, as in the case of standards-based reform. The reform language of today is often couched in terms of current economic needs, just as in earlier times. The sentiment underlying much of the advocacy for change is that investments in education should be focused on preparing youth to match their talents with the increasingly specialized opportunities of a global marketplace.

But the argument for a rigorous curriculum need not be an argument for training rural youth to leave, at least not permanently. The economic trends described in this presentation point to a growing number of rural places that can offer the job opportunities necessary to bring native college graduates back to their home areas. The key is to forge closer links between schools and local community economic development, both through formal mechanisms that connect school curriculums with existing opportunities, and by encouraging students to realize untapped potential for community development. Examples of projects designed to meet these objectives are described below.

### Rural School Strengths and Challenges

Before elaborating on the need to harmonize the objectives of place-centered and globally relevant education, it should be noted briefly that rural schools

already enjoy a number of important strengths on which they can build. The charts discussed above show that educational attainment among rural adults is catching up with attainment among urban dwellers. Several studies from the 1990s documented the parity in rural and urban academic achievement as measured by scores on the National Assessment of Educational Progress. Although some rural people and places, particularly minorities and southerners, lag behind the rest of the nation, overall math and reading scores suggest that rural schools are generally doing as good a job as urban schools of imparting academic skills. In addition, rural schools benefit from smaller average school size; closer social ties among parents, teachers, and administrators; and a strong identification of rural schools as key institutions in the life of the community.

These strengths are balanced by serious challenges that can hinder efforts to strengthen the relationships between what rural schools teach and what rural employers expect. Rural schools are less likely to offer advanced courses such as calculus or foreign languages, in part because their smaller size (and often smaller budgets) make diverse course offerings unfeasible. Similarly, rural schools have a harder time recruiting teachers who are fully qualified to teach their subject matter, especially for these same specialized courses. Finally, rural schools vary tremendously in the resources and community support available to them. This variation is reflected in the lower test scores in the South and among minorities.

### **Promising Directions**

Some of the most promising trends in rural education involve efforts to overcome the remoteness and limited financial resources facing many schools. For instance, distance technologies in the classroom are helping to bring expanded curricula—including more advanced courses—to students and greater access to professional development to teachers and administrators. The USDA has supported distance-learning initiatives in recent years through an extensive program of grants to states and local communities.

The 1990s were a time when several states reconsidered the often-severe funding inequities between rural and urban school districts. States such as Kentucky and Kansas fundamentally altered the revenue streams for public education as a result. In some cases this reallocation has eased the financial crunch of some school systems, although the overall budget woes of many states during the current economic downturn have diminished the gains from greater equity.

Trends such as these have improved the environment that makes progress in education possible. But equally important is the development of programs designed to

connect the instruction received in the classroom with the realities of the local economic, cultural, and natural resource milieu. There is arguably potential conflict between a curriculum that stresses community relevance and one focused on ensuring the same level of academic preparation and success regardless of place, a goal of standards-based reform. The most successful community-linked programs can be seen, not as a counter to standards-based reform, but rather as an alternative route to achieve the same results. A number of school programs incorporating the best elements of community-based education, while also enhancing performance in a standards-based environment, are briefly described below. (All of these have received partial support from the Rural School and Community Trust.)

*School at the Center.* Twenty-six schools with 13,000 students across Nebraska are part of a systemic effort to increase community-school interaction through greater community and parent involvement in instructional materials, methods, and assessment, and through student-driven projects that enhance community well-being. Examples of the latter include a student project to alleviate a local housing shortage by rehabilitating mobile homes, as well as several small business incubations.

*Llano Grande Center for Research and Development.* This project in Texas' Rio Grande Valley began as a way of documenting and reclaiming the cultural and social history of area residents, who are mostly of Hispanic origin. Students at schools throughout the area have subsequently initiated a series of activities designed to revitalize community life, including publishing a local newspaper and helping to create a new industrial park. The center claims a share of the credit for sending 51 local students to Ivy League colleges, and many more to state and regional universities. Many of the young people have returned to share their skills and knowledge with their home communities.

*Lubec aquaculture project.* Students at the consolidated high school in Lubec, Maine, responded to the town's declining fishing economy by building and maintaining a small-scale fish hatchery for the study of commercially viable species. At last count, over one-third of the school's student body had studied and worked in the aquaculture program, and plans are afoot to integrate the program into the entire curriculum. Incidentally, Lubec students' science scores have risen from the bottom of Washington County's eight schools to within a couple of points of the top since the program began.

### **Conclusions**

Current economic trends in rural America are changing the prospects for rural youth. As rural areas move away from economies based on agriculture, mining, and

manufacturing, nearly 4 in 10 rural adults now have at least some postsecondary education. Furthermore, the monetary returns to additional education have continued to rise in the 1990s. The combined weight of these trends suggests a rural economic landscape that is increasingly favorable to workers with advanced schooling and specialized training.

The best information we have to date indicates that rural schools overall have made good progress in preparing students for a changing rural and national economy. The challenges of inadequate financial resources, recruiting and retaining teachers, and limited course offerings are recognized as impediments to future educational progress at both the federal and state levels, and the promise of bringing additional resources to bear on these problems is a welcome step.

An economy in which high skills and more education are in increased demand gives many rural schools unprecedented opportunity to justify a more advanced curriculum in terms of local economic development as well as the requirements of distant urban labor markets. These trends also ease the task of integrating in-school instruction and hands-on activities in the community. Community-based education has traditionally been viewed as a way of adding immediate, experiential context to the curriculum. Increasingly, as local job opportunities improve, it can also be seen as a bridge between standards-based formal classroom learning and the application of that learning in a place where work and civic activity become a real possibility.

It should be noted that even though economic and educational progress characterizes rural America as a whole, many counties dependent on farming, mining, and manufacturing face a stagnant or declining industrial base, often with few prospects for new economic activity. It is a difficult reality that in some of these places, local schools can at best provide their students with the foundation for life elsewhere. In others, however, schools can use the local context to awaken students to new economic possibilities, as in the case of the entrepreneurial projects discussed earlier. For places holding few attractions to non-natives, closer connections between schools and their communities may foster the home-grown talent essential to long-term, local economic development. Counties experiencing rising earnings and employment provide a natural fit between advanced academic preparation and the local job market. It is even more critical for places left behind by the prosperity of the last decade to forge the links between students and the community before their young people leave for opportunities elsewhere.

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Rural School and Community Trust, 1825 K Street NW, Washington, DC 20006; phone (202) 955-7177; fax (202) 955-7179; e-mail [info@ruraledu.org](mailto:info@ruraledu.org); Web site <[www.ruraledu.org](http://www.ruraledu.org)>.

School at the Center: Jerry Hoffman, Director, School at the Center, P.O. Box 880355, Lincoln, NE 68588-0355.

## V. Entrepreneurship and Agriculture

Don Macke, Co-Director

Center for Rural Entrepreneurship, Lincoln, NE

### Why Entrepreneurship?

At one time, agriculture and other natural resource-based industries such as forestry and mining dominated rural America's landscapes. While these industries no longer define rural America, they continue to be very important, particularly in certain rural areas.

The last century has been the most productive period in world history. The development of our nation's economy occurred at a remarkable rate. Driving the new economy and the wealth it is producing are entrepreneurs. Entrepreneurs are the people who create new ventures and competitive models, who take innovations and make them into commercial products, and who grow businesses that account for most of our job creation. Regional economies with significant numbers of entrepreneurs tend to be more competitive, prosperous, and dynamic. Regional economies that are struggling have fewer entrepreneurs, based on emerging research [1].

Following a period of remarkable expansion, our economy today is struggling in new waters—we slide back and forth from slow growth to recession. But one thing is clear: the economy to follow this period of uncertainty is being designed one venture at a time by entrepreneurs.

Entrepreneurs are like other special people—artists, athletes, clerics, and parents. Entrepreneurs have the following attributes that define their unique gifts: They pursue opportunity, live proactively, leverage resources, build networks, and create value. Beyond being special people, entrepreneurs tend to make the difference between a high performing and a weak economy.

The *Global Entrepreneurship Monitor* (GEM) found a strong correlation between levels of entrepreneurship and overall economic performance among industrial countries worldwide [2]. GEM 2000 concluded specifically that the level of entrepreneurial activity explains 70 percent of the difference in economic growth among nations. All nations with high levels of entrepreneurial activity have above-average rates of economic growth. Only a few nations that have above-average rates of economic growth have low levels of entrepreneurship.

Research on high-growth companies by the National Commission on Entrepreneurship found that regions with more high-growth oriented entrepreneurs performed better than regions with fewer of these types of entrepreneurs [3]. Numerous other studies and reports reach similar conclusions: Entrepreneurs play a profound role in

building more competitive ventures that collectively build stronger economies. Historically, economic development in rural areas has centered on four strategies: industrial attraction, small business development, tourism, and natural resource development (historically focusing on commodities and now value-added products). These strategies have shaped the rural landscape we know today. The problem is that many rural places are either over-run with urbanization or are struggling with chronic decline. By and large we have not recognized or supported the entrepreneurs within our midst.

Every entrepreneur is a business person—most are small business persons. But not every business is driven by an entrepreneur. Entrepreneurs are pro-active, innovative, and very good at assessing and managing risk. Entrepreneurs as a general rule distance themselves from traditional economic development programs. They typically do not like to attend workshops or mess with government assistance programs, or even seek out assistance. Most of the time they are focused on building their venture and prefer working with private expertise and money.

If we are to build a new rural economy by supporting the entrepreneurs within our midst, we must discover them and learn how they think. Such a discovery process will inform us that we have to change the way we do economic development, if we hope to help them build better businesses that in turn build stronger rural economies [4].

### Are Agricultural Folks Entrepreneurial?

There is some debate underway around the question—*Are farmers and ranchers entrepreneurial?* Our field research would suggest that farmers and ranchers, like most other rural folks, have entrepreneurial traits. This same fieldwork, however, suggests strongly that most farmers and ranchers are not entrepreneurs. Research by GEM [5] found the following entrepreneurship rates by major industry group:

Extractive industries (including agriculture)	4%
Transforming industries	30%
Business services	21%
Consumer services	45%

Why are farmers and ranchers found not to be entrepreneurs? We have made the following observations as we have studied farmers and ranchers across the nation: (1) they have significant entrepreneurial traits—innovative, creative, independent, hard working, and passionate; (2) they lack competencies in marketing, business management, product development, and networking; and (3) they are often reluctant to seek out new markets, employ venture capital, utilize business models, and engage in joint ventures.

Our experience suggests that in much of rural America we find the following [6]: (1) a smaller pool of actual entrepreneurs and (2) fewer entrepreneurial growth companies, but also (3) a larger pool of potential entrepreneurs based on economic necessity, female engagement in business, minority engagement in business, the desire of youth to remain rural, and new residents coming into rural settings and creating new ventures. Entrepreneurial talent is present. If it can be developed, the opportunity exists to create a more dynamic entrepreneurial community capable of building more robust economies.

### **Policy and Program Needs**

Historically, rural development policies and programs have not focused on entrepreneurs. Based on research from the National Governors Association and the Kauffman Foundation, less than one percent of state economic development spending intentionally focuses on entrepreneurs [7]. We have observed similar spending realities for federal and local development efforts.

The Center for Rural Entrepreneurship [8] believes there are five policy and program priorities for the new century: (1) building a new generation of agriculturally focused entrepreneurs; (2) documenting existing and creating new and more competitive agriculture venture models; (3) creating agriculturally focused entrepreneurial support organizations [9]; (4) investing real public and private funds into entrepreneurial-focused development efforts; (5) and committing to moving away from the current dependency model (look at farmers and government support payments) and towards innovation driven by entrepreneurs.

There is plenty of entrepreneurial talent in rural America, including within farming and ranching communities. There is an opportunity to identify and support this talent so that a new generation of agricultural entrepreneurs emerges. These are the folks who will find new markets, undertake new venture strategies, and create economic growth. Yet, to achieve this goal our development programs must move away from businesses, and towards people. This is a human resource development game requiring us to invest in people who then can create more successful ventures. Finally, this strategy will take time. Today a child receives between 12 and 16 years of education and training before we expect him or her to fully engage in the economy. Creating a new generation of rural entrepreneurs will demand 3, 5, or 7 years of policy and program commitment to realize optimal results.

The modern economy is based on our MBAs (Masters of Business Administration) and our nation's business schools. The bread and butter of these schools are business case studies. New models and new ways of doing business

have emerged through this formal process of systematic learning about what works—and what doesn't. For 50 years we have built better businesses employing this model. Unfortunately, the focus of most business schools and their case study work is rooted in urban America and urban models. Farmers trying to create value-added ventures have few schools to turn to with case study insight. We need to build a new generation of venture models that fit the rural landscape and enable farming and ranching economies to redefine themselves with stronger bottom lines. Our challenge is to get the land-grant institutions and others to do this work.

Our fieldwork has found that across America there are a limited number of regional development corporations (typically organized as non-profit, private entities) that focus intentionally on entrepreneurs. These organizations, known as entrepreneurial support organizations or ESOs, represent the most advanced learning on how to energize entrepreneurs. Some ESOs have a farm and ranch focus, though most do not. We need to craft policy and programs that move more development organizations to ESO status with an agricultural focus. ESOs create the environments in which entrepreneurs thrive. (For more information on ESOs see our monograph [10].)

Any farmer knows that you can reap only what you plant. The same is true with economic development. Economic development investments that do not focus on entrepreneurs, or are not helpful to them, cannot create a more entrepreneurial economy. As noted earlier, research suggests that less than one percent of economic development spending is specifically invested in entrepreneurial-appropriate programs. Even most small business programs only indirectly support entrepreneurs. If a more entrepreneurial rural economy is to be created, real investment must be made in policy and programs that actually help entrepreneurs [11].

The myth of the rural American centers on independence. Yet for most rural landscapes, incomes and economies are rooted in dependencies. In many rural counties government transfer payments are the single largest source of outside income. These transfer payments come in the form of subsidies for farms and other natural resource industry-dependent businesses, healthcare, education, roads, and local governments. As the willingness of urban Americans to foot these subsidies has eroded, the future of many rural American landscapes demands new sources of economic activity. Investing in entrepreneurs who can develop successful ventures that create jobs, increase local tax revenues, and expand wealth attraction to rural communities is fundamental.

## Model Programs

There are many model programs across rural America worth studying. I will cite only three: (1) Center for Rural Affairs in Nebraska, (2) Northern Initiatives in Michigan, and (3) Appalachian Ohio Partnership in Ohio.

The *Center for Rural Affairs* is a small farm advocacy organization in rural northeastern Nebraska that began as an anti-poverty program over 25 years ago. The Center got into economic development because no other organization was focusing on rural economic development in the state. The Center has created a growing portfolio of programs that are energizing rural entrepreneurs, including REAP (Rural Enterprise Assistance Project, a micro-lending program), Land Link (a farm transfer strategy), and a community planning process. (Web site <[www.cfra.org](http://www.cfra.org)>)

*Northern Initiatives* in Michigan's Upper Peninsula is a non-profit development organization that has been at work for over 20 years. It has an affiliation with ShoreBank, a community development bank in Chicago, and works in manufacturing, tourism, and forestry industries. NI is a prototypical entrepreneurial support organization. (Web site <[www.northerninitiatives.com](http://www.northerninitiatives.com)>)

ACEnet (Appalachian Center for Economic Networks), Rural Action, and Foundation for Appalachian Ohio are among the innovative development organizations that serve the 29 southern Ohio counties within Appalachia. These three organizations have banded together as the *Appalachian Ohio Partnership* to focus on entrepreneurs and building a more robust economy in this struggling region. ACEnet has developed innovative and proven programs supporting value-added food products ventures. Rural Action is working with forest products businesses. Combined, these partners are creating a next-generation strategy committed to enabling entrepreneurial talent to shine in Appalachian Ohio. (Web sites <[www.acenetworks.org](http://www.acenetworks.org)>, <[www.ruralaction.org](http://www.ruralaction.org)>, and <[www.appalachianohio.org](http://www.appalachianohio.org)>)

Other rural-based innovative efforts include:

- Kentucky Highlands Investment Corporation in London, Kentucky (<[www.khic.org](http://www.khic.org)>)
- GROW Nebraska in Holbrook, Nebraska (<[www.growneb.com](http://www.growneb.com)>)
- Coastal Enterprises, Inc. in Wiscasset, Maine (<[www.ceimaine.org](http://www.ceimaine.org)>)
- Center for Economic Options in Charleston, West Virginia (<[www.centerforeconoptions.org](http://www.centerforeconoptions.org)>)
- Small Business Incubator Facility in Early, Texas (<[www.earlytx.com/sbif](http://www.earlytx.com/sbif)>)

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## VI. Community-Led Entrepreneurial Development

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Corporation, Moyers, WV*

### Context

Growing national consensus and research [10, 15, 24] indicate that community-based strategies can be a most effective means for developing entrepreneurial capacity in rural communities. The benefits for communities can be measured in several ways: sustainable job creation and business growth; increased impact per dollar invested in technical and financial assistance; broader public involvement and support; and increased resilience of the community to adapt to and learn from uncertain and dynamic change. Yet there are challenges, including: (1) lack of community infrastructure, leadership, and local self-determination; (2) limited public understanding of entrepreneurship in rural communities; and (3) lack of organizational capacity.

### Opportunities

Undaunted, community-based entrepreneurs will seek to reframe challenges into opportunities. The assets of rural communities, including but not limited to pride in place, strong work ethic, and high quality of life, are supported also by other trends at the national level, which Don Macke mentioned in his presentation (see page 14).

Some communities have embraced change as their passport to achieving greater economic prosperity. These communities recognize the need to develop more nimble, diversified, and innovative public-private partnerships [37]. Public entrepreneurship—which includes leadership training, community-driven planning and community-based research, and community-based entrepreneurial support organizations or ESOs (often organized as Networks, Intermediaries, and sectoral Clusters or NICs)—is the key to sustaining private entrepreneurship [15]. Within that shift we see an emerging role for place-based ESOs, and the power of NICs that help organize training, financial services, and convening.

### Emerging Patterns of Entrepreneurial Communities

We are learning from a variety of promising practices in community-based entrepreneurial development about a new genre of rural community: the ‘New American Communities’ [36]. These entrepreneurial communities display certain characteristics that have become the hallmarks of success, for example, among the Empowerment Zones and Enterprise Communities [24].

Some patterns recur among rural communities that have achieved success in supporting entrepreneurial capacity. The key attributes of entrepreneurial communities include:

Place-based strategies: Strategies are identified with place, and grounded within a physical and social landscape, to include one or more communities clustered within a watershed or other geographically distinctive landscape [32].

Balanced and diverse community participation in local governance: Community-based interests broadly represent different points of view, gender, race, ethnic background, and age; they achieve balance among those interests with a view towards supporting social equity [22, 24, 33].

Adaptive learning processes to enhance community resilience: The collaborative community-based planning and evaluation processes provide a means for the community to adapt to changing and uncertain environments, and to learn from failures and successes. These capabilities enhance the capacity of the community to coordinate rapid response to unexpected challenges—whether caused by economic, social, terrorist, or natural events—and to overcome these challenges in order to maintain and strengthen rural and community prosperity [3, 9, 17].

Public and private entrepreneurial development: Private entrepreneurship can flourish where there is a healthy foundation of public entrepreneurship in the form of policies and programs within the community and/or region to build entrepreneurial capacity and social capital. Often these require the formation of ESOs/NICs and the reframing of relationships among existing community players, and the development of new governance, technical assistance, and financing capabilities [14, 16, 20, 21, 27, 35].

Stewardship ethic: Initiatives work to preserve and enhance human and natural assets in order to benefit present and future generations. Initiatives preserve and enhance other assets as well, including cultural and economic assets [4, 17, 26, 28, 33].

Learning and innovative centers: Communities are co-located with universities and/or learning centers that infuse the local culture with new people and new ideas on a continuous basis. These communities become ‘knowledge clusters’ that support research and development of new, entrepreneurial approaches [18].

Collaborative advantage: Initiatives involve formal and informal agreements on cooperation and mutual support among diverse stakeholders, including but not limited to research, education and extension resources, community-based organizations, the local business community,

statewide intermediary organizations (such as U.S. Treasury Department–certified Community Development Financial Institutions, or CDFIs), and micro-loan programs. These partnerships result in the development, exchange, and transformation of organizational resources, including human and economic resources, towards the pursuit of common goals [27, 29].

Asset-building strategies to build community prosperity: Communities seek to enhance the social, economic, and natural capital of families, communities, and regions, applying diverse strategies and local resources, including the ability to leverage resources from outside the community, to strengthen and sustain the foundation for a healthy and prosperous community [3, 9, 13, 15, 25, 28].

### **Community-Led Entrepreneurial Financing Mechanisms**

We are also witnessing rapid growth in innovative financing tools and community-based intermediary organizations. According to the *Directory of U.S. Microenterprise Programs*, microenterprise programs have grown from a handful in 1985, to 266 in 44 states in 1996, to 554 programs in 2002 [1]. With the formation of the Community Development Financial Institutions (CDFI) Fund in 1994 [5], we have seen also the emergence of over 600 CDFIs across the country as of 2002. Since 1994 the CDFI Fund has made over \$534 million in investments that are matched at least 1:1 with non-federal sources, thus representing over \$1 billion in public and private investment in U.S. communities. We have also seen the creation of community development venture organizations, and a nationwide association (the Community Development Venture Capital Alliance or CDVCA) in the last few years. These developments point to a growing national experience in community-based financing strategies to complement and also leverage traditional mainstream financing sources for private enterprise development.

Rural communities face particular challenges in two key areas of business financing that are traditionally not well served by commercial banking or venture capital sources: (1) start-up capital and business training for micro-entrepreneurs, and (2) small equity investments for existing businesses trying to grow.

A growing number of community-based, regional, statewide, and national intermediary organizations are providing a variety of financing mechanisms to support entrepreneurial development. These include:

- Micro-loans (under \$25,000, and often under \$10,000)
- Small business loans (from \$25,000 to \$1 million)
- Large fixed asset loans (SBA 504, etc.)

- Near equity investments (royalty and subordinated loans)
- True equity investments

Microenterprise financing: Typically this is for small business start-ups employing fewer than four people, with financing up to \$25,000. Very often it is coupled with business training. Many community-based micro-loan funds offer business training and financing, as well as post-loan technical assistance. As noted above, this is a fast-growing industry with lots of experience globally as well as in this country, yet as an industry it is still small relative to the needs. The biggest challenge facing micro-loan funds, of course, is the high transaction costs of providing technical assistance to micro-entrepreneurs, as well as the high risk of loan default, since many of the recipients have little or no business background, very little collateral to offer against the loan, and poor credit histories. Much research on microenterprise financing has been carried out through the FIELD program of the Aspen Institute [2].

Community development venture capital investments: Within the past dozen years, we have witnessed a fast-growing emerging industry of community development venture capital organizations providing equity and equity-like investments to small and medium-sized businesses. Yet here as well, the community development venture capital industry is relatively new and small in scale relative to the need. These types of investments are critically needed by businesses that have already reached their limits in debt capitalization and need additional equity to finance their growth. Additional equity infusions can then enable the business to expand its debt financing for working capital, as needed, with an array of SBA and USDA loan guarantee programs. More information on community development venture capital organizations is available by contacting CDVCA [6].

### **Entrepreneurial Development Tools**

Financing for enterprise development represents the final step in the highly transaction-intensive set of business relationships involved in supporting entrepreneurial development. Much of the unseen, yet very staff-intensive, work lies in developing the social and economic infrastructure once it is in place.

### **Case Studies in Community-Led Entrepreneurial Development**

Beyond financing, communities must develop the social and economic infrastructure to help generate deal-flow and to support these investments. Successful approaches have tended to include these elements: (1) place-based investments; (2) building community organizational capacity and community networks; (3) technical

assistance, pre- and post-loan; (4) management support; and (5) research and development.

Two case studies that showcase community-led entrepreneurial development appear in summary form below, and are also featured in greater detail online at the 'New American Communities' Web site from USDA/CSREES and the Southern Rural Development Center [36].

#### Central and Western Maine

(<[www.newamericancommunities.org/case-me.html](http://www.newamericancommunities.org/case-me.html)>)  
The University of Maine Cooperative Extension Service works with Coastal Enterprises and the Maine Organic Farmers and Gardeners Association to help farmers develop more economically viable farm enterprises. They provide free technical assistance to farmers to help them create profitable strategies. Farmers can apply for \$25,000 grants to provide a quarter of the funding needed to implement their plans; in exchange, they agree to forgo land development for 5 years. As a result, 15 farmers have developed new business plans, and 5 have translated state funding into new farming or marketing ventures.

#### *Some salient characteristics ...*

- Networks: Maine Mountain Heritage Network
- Intermediaries: Coastal Enterprises, Inc.; Maine Center for Economic Policy; Western Mountains Alliance
- Clusters: seafood; organic agriculture; heritage tourism
- Partners: farmers, University of Maine
- Technical assistance: sectoral and general
- Financing: micro-loans, loans, micro-equity, equity

#### Astoria, Oregon

(<[www.newamericancommunities.org/case-or.html](http://www.newamericancommunities.org/case-or.html)>)  
Oregon State University researchers partnered with Shorebank Enterprise Pacific, a non-profit rural development corporation in Washington State, to develop innovative technologies for processing and safeguarding fish and shellfish, create new product lines, increase access to capital, and open new domestic and international markets. New technologies to process oysters, improve efficiency and sanitation, and enhance shelf life have been implemented. Four new surimi plants have opened in Oregon, and the whiting harvest has risen from 4,000 metric tons in 1990 to about 75,000 in 2002. As a result, the economic lot of local fishermen has improved and local businesses are becoming more environmentally and economically sustainable.

#### *Some salient characteristics ...*

- Networks: Duncan Law Seafood Consumer Center
- Intermediaries: Shorebank Enterprise Pacific
- Clusters: seafood industry

- Partners: OSU Seafood Laboratory; Nisbet Oyster Company, Inc.; Fisheries Association
- Technical assistance: sectoral, place-based
- Financing: debt and equity

#### **Preliminary Findings**

Several preliminary findings can be gleaned from the above discussion:

- The field of community-led entrepreneurial development is changing and maturing rapidly with the growing proliferation and sophistication of ESOs, technical assistance tools, and financing mechanisms;
- A number of entrepreneurial communities around the country can serve as models for how they have successfully initiated a process for community-led entrepreneurial development (see case studies above and others featured at the 'New American Communities' Web site [36]);
- Many other communities, such as USDA Champion Communities, are in various stages of developing their capacity in community-led entrepreneurial development, and could be targeted for support;
- Entrepreneurial communities have succeeded in garnering multiple sources of public and private philanthropic funding to support their initiatives, often with the help of ESOs;
- Barriers to entry for Champion Communities may include lack of an ESO to broker the necessary technical and financial resources, suggesting the need for more flexible funding to help those communities to leverage public and private resources;
- Researchers are agreeing on the significance of NICs [15, 18, 21];
- Public and privately funded research points to the benefits of transforming the role of land-grant institutions, and particularly Extension, in developing a more responsive approach to supporting and sustaining community-led initiatives;
- There is growing public awareness and support for community-led initiatives, and a variety of research and training programs are emerging to support them, such as community-based participatory research, and training programs offered by the Southern Regional Development Center; and
- The rate of innovation in the field is outpacing the rate of change in federal policy and programs,

suggesting the need for a paradigm shift in how federal partners support community-led entrepreneurial development.

### Some Potential Future Directions

The preliminary findings suggest some potential future directions for national rural policy to support community-led entrepreneurial development. These include:

- Support entrepreneurial communities, not projects. We should: (1) embrace a more whole-systems approach at the national level for policies and programs to support and sustain rural communities [10, 34, 35]; (2) strengthen existing rural communities that demonstrate the qualities of learning, entrepreneurial communities and that show a willingness to serve as 'inspirational communities' for other 'seeking communities' willing to move to that level; and (3) support development efforts by 'seeking communities' that show commitment to become learning, entrepreneurial communities. Rural policy should focus on communities, not projects, as the locus for change in strengthening entrepreneurial development.
- Invest in community-led, university-supported development. Community-led initiatives, with university support, can be a powerful force for cost-effective and sustainable entrepreneurial development. This represents a paradigm shift from traditional approaches of university-led, community-supported initiatives. Specific areas for development include: (1) research, such as supporting land-grant partners in facilitating community-based participatory research [8, 11, 19, 26, 31] and encouraging multi-state research on barriers and opportunities for community-led entrepreneurial development for different regions of the country, and developing peer-monitoring and peer-learning networks; (2) education, particularly encouraging land-grant partners, and especially Extension, to provide community leaders with training on community-based participatory research and to partner with other community-based programs to offer technical assistance and support for entrepreneurial development, thus further stretching public and private resources; (3) Extension, where its visibility as facilitators, brokers, conveners, and community asset-builders to support community-led entrepreneurial development initiatives is increased and it provides training and support to youth in community asset-mapping [7, 12]; and (4) flexible funding to increase possibilities for community-led entrepreneurial development, to leverage private philanthropy and other public dollars, and to build national partnerships.

- Develop exciting and innovative roles for land-grant universities and Extension working in support of community-led initiatives. This is a ripe area for land-grant institutions to harness their vast intellectual and other resources to fulfill their mission of serving communities, and in the process, to innovate [7, 12]. Specifically, they can: (1) build on the base of community development educational curricula, such as offered at the Southern Rural Development Center [30] and its counterparts in other regions [23], to build the capacity of Extension educators and others to support community-led initiatives; and (2) experiment with virtual conferencing to overcome the limitations of budgets and schedules, so as to encourage highly participatory dialogue, training, and education (see example of e-search online at the 'New American Communities' Web site [36]).

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## VII. Issues/Barriers in Utilizing Agricultural Development as a Tool for Rural Development

Participants were asked to describe issues and barriers in utilizing agricultural development as a tool for rural development. Below is a listing of these issues and barriers. The responses fall into seven areas: cultural or social issues; specific problems regarding marketing, economic development, political issues, infrastructure, and technical assistance; and other issues. We have removed duplication of ideas within each area for ease of understanding. (Note: Acronyms are spelled out in full in the 'List of Acronyms' at the front of this volume.)

### Cultural

#### Understanding farmers

- Appreciation of farming lifestyle
- Disconnect and lack of understanding among urban areas, rural areas, and farms

#### Farmers' attitudes

- Turf—status quo must be protected at all costs—my way or it's nothing
- Philosophy—I should know all I need to know
- Bad experiences in the past are very difficult to overcome
- Independent nature of farmers and rural people; independence vs. interdependence of producers with regard to forming new ways and alliances

#### Community character

- Lack of understanding of community and individual cultures, values, and traditions
- Community character and culture is important to preserve and promote

#### Self-identity

- Personal self-identity
- Farmers do not think of themselves as business people

#### Resistance to change

- Paradigm shifts occurring
- Rural communities and agricultural producers are risk intolerant and resistant to change

- Barriers in cultural traditions vs. government/political process/communities

#### Dependence on outside assistance

- Entitlement mentality: farmers wait for special resources (financial), buyouts (government program), or think they can make it
- Wanting practitioner to provide solutions or clear direction to take; not able to see them on own
- Federal dependence vs. local solutions

#### Divide between farmers and other rural people

- Lack of cooperation and communication between producers and communities
- Lack of infrastructure and technical assistance to build linkages, develop communication, and bring together different groups
- Lack of community support for entrepreneurship

#### Farm labor

- Immigration issues related to assimilation
- Lack of recognition of producers versus agricultural workers

### Marketing

#### Local markets

- Need to sell local products locally (such as fruits and vegetables to farmers' markets, grocery stores), instead of focusing on external markets
- Need to implement and hone tools of local and rural marketing
- Establishing market size and profitability may demonstrate lack of financial viability

#### Marketing assistance

- Need for technical assistance on value-added marketing and selling locally
- No marketing/PR experience; need appropriate market size; few marketing assistance tools of value available
- Linking producers to potential markets

#### Growth

- Concerns about growth (e.g., Ben & Jerry's, Cabot Creamery)—these ultimately connect producers with investment that eliminates local control
- Capitalization and transfer of control: traditional market power struggle

### Product identification for the consumer

- Consumer opinions of organic vs. traditional products
- Failure to ‘capture’ or clearly state value added by a given crop/product; product identity (quality) program

### **Economic and Agricultural Development**

#### Development approach

- Definition of development: profit for profit sake vs. profit within the context of community development
- Need for place-based development
- Asset-based community development concept rather than adversity
- Traditional economic development models (e.g., smokestack chasing)
- Existing programs focused on inefficient or non-workable solutions to development problems
- Need for agricultural development to be recognized as economic development
- Need for agricultural and economic development communities to be connected

#### Shifting to a focus on the future

- Current thinking is short-term/not sustainable; not always focused on long-term, renewable/sustainable
- Lack of focus on vision and goals for efforts (setting of objectives)
- Lack of producer knowledge or vision of alternative possibilities
- Lack of planning/vision

#### Moving from traditional to a new kind of agriculture

- Little understanding of difference between industrial and value-added models
- Education: What is development? (e.g., is agriculture only commodities?)
- Agricultural diversity: Commodities maintain income, therefore transition is difficult
- The mindset that “if it isn’t in the Dept. of Ag, it doesn’t exist”
- Existing farms unable to develop diversified business models and succeed in implementing them
- Need for diversification of economy (e.g., multi-use of processing facilities to expand use)

- Definitions of terms: Value-added processing or value-added farmer?

#### Trust

- Lack of trust and loyalty in working relationships
- Aggies don’t trust each other to do business together, do not trust government
- ‘Co-ops’ is often a bad word

#### Agricultural jobs

- Agricultural jobs do not count as job creation for many public programs
- Agricultural job creation is slow

#### Small businesses

- Small business resources are limited
- Small business and economic development personnel do not know agricultural development resources
- Need small business assistance tailored to support small farm operations (e.g., product development, marketing)
- Existing programs are geared to the masses, with staff funded for the few

#### Investment money

- Money made in agriculture is not reinvested in agriculture
- Locally produced capital (earned \$)—401K rules/limits on retirement investments—leaves the community

#### Other

- Affordability, financial contributions for cooperatives
- Middle-man—growing economy with demand on food consumption; world challenges of agri-food distribution, security
- Corporate control of America: Need to enforce anti-corporate laws
- The need for systems-oriented viewpoint

### **Political**

Lack of an integrative federal rural development policy (agricultural policy does not equal rural development policy)

#### Government process

- Government bureaucracy and ‘red tape’

- Lack of understanding of government programs and processes
- Need for technical assistance to help people walk through government program process

#### Local policy needs

- Local (state/county) determination of farm policy
- Creating farm policy that focuses on local needs
- Need for programs that are state or regionally oriented
- One size does not fit all in terms of policies
- Rules developed for huge farms negatively impact small farms; need for a two-tiered set of rules
- Disconnect between federal farm policy and local/regional needs and opportunities

#### Inconsistent policy

- Lack of consistency in federal policy/programs
- Need for stabilized funding to remedy slow and unpredictable funding

#### Other

- Structure of local government. Reinvestment-regionalism.
- Lack of political will to explore new opportunities

### **Infrastructure**

#### Infrastructure for working with agricultural development

- Lack of infrastructure (personnel and physical) to support local/regional work to improve agriculture as part of rural development
- Lack of local infrastructure for marketing, distribution, and processing, such as in packing operations, USDA certification, connectivity E-business/Internet

#### Banking and finance

- Legal and accounting fees (the new gap in services); how to allow ‘townies’ investment with value-added
- Finance community doesn’t know how to lend to entrepreneurs
- Bankers lack experience
- Sources of capitalization for starting and growing businesses
- Access to capital, stability of funding sources

- Lack of investment capital for value-added and localized production; more and more of these local efforts have failed
- Lack of ‘patient’ (long-term) capital

#### Resources

- The ‘Hunt for Resources’
- Disconnect between private and public resources: timing, focus, and matching resources to needs
- Difficulty in acquiring resources from public sources, and short lead time
- Knowledge of resources available to support process
- Aggies assume there are grants for everything
- Misunderstanding or lack of understanding about available networks for assistance

#### Institutional disregard

- Institutional culture is hostile to alternative agriculture effort: hostile mindsets/attitudes
- Lack of institutional understanding of complex inter-relationships of rural economies and communities
- Failed existing support institutions: land-grants, state agriculture and economic development agencies, local governments; and federal agencies (including USDA)
- Many wasted resources in existing institutions that are not held to performance standards

### **Technical Assistance**

#### Assistance providers

- Responsiveness of agencies and assistance providers
- Lack of coordination of and focus on technical assistance for entrepreneurs
- Education/training re-skill

#### Effective assistance

- Process—technical assistance must be presented in a manner that works
- Providers need to utilize tools and programs efficiently and effectively; provide business support and teaching in ways recipients can understand and feel comfortable with

#### General lack of assistance

- Need for technical assistance providers to understand and build the assets that are positioned to blossom
- Lack of entrepreneurial bureaucrats
- Lack of understanding of economics

## Other Issues

### Scale

- Need to define and agree upon appropriate scale of agricultural or other industrial facilities
- Geographic differences in perception of what is small

### Land change

- Land use transitions
- Urban encroachment of housing and jobs
- Land use and management (organic production, California issues)

## Environment

- Threats to preservation, therefore human/mother nature struggle
- Resource (e.g., water) use, impact on agriculture-related jobs
- New techniques are not framed so public will accept; stewardship environment
- Lack of focus on renewable resources
- Preserving natural surroundings and history while economically advancing

## Other

- Sense of hopelessness/powerlessness among grassroots
- Lack of consumption awareness

## VIII. Opportunities for Utilizing Agriculture as a Tool for Rural Development

In the afternoon session, participants were asked to think about needs and opportunities for utilizing agriculture as a tool for rural development. Each participant listed these on individual worksheets, and in most cases identified them as local, state, regional, and/or national in scope. The participants then discussed and identified some of the key opportunities as a group, and presented a summary of their ideas to the rest of the workshop attendees. Below is a listing of the needs and opportunities as described by individuals and the small groups, along with follow-up comments made by participants in a few cases. We have grouped the opportunities into 11 issue areas, and have designated those opportunities identified by the participants as requiring policy change [**Policy**]. (Note: Acronyms are spelled out in full in the ‘List of Acronyms’ at the front of this volume.)

AREA 1: COLLABORATION	Scale			
	L O C A L	S T A T E	R E G I O N A L	N A T I O N A L
Create opportunities for interaction among agricultural development specialists, economic development specialists, planners, and rural development professionals.	X	X	X	
Funding agencies should create RFPs that require collaboration between agricultural and rural developers. [ <b>Policy</b> ]		X	X	X
Encourage collaboration among and within USDA, SBA, and other programs and agencies (e.g., RUS with RD).				X
Develop collaborations among USDA Extension, RD, RC&Ds, SBDCs, Young Farmer Chambers, and EDCs to create an information-sharing ‘e-zine’ (electronic magazine), to avoid duplications and take advantage of opportunities.	X		X	
Promote rural economic development as a critical element for state economic development, to overcome urban majority influence problems. [ <b>Policy</b> ]		X	X	X
Create statewide network (public and private partners) whose main objective/vision is to improve rural economies and support rural entrepreneurs.	X	X		
Develop a network of small businesses and resource providers to work on joint ventures so others do not have to re-invent the wheel every time.	X	X	X	
Build networks of local or regional agribusiness people to see how they can work together and what their needs are; find how value-added agribusiness could help existing agricultural businesses.	X	X		
Need CED (agricultural development specialist) to bridge agriculture and rural policy; have CED work with Chambers, economic development organizations, etc. [ <b>Policy</b> ]	X	X	X	X

AREA 2: COORDINATION	Scale			
	L O C A L	S T A T E	R E G I O N A L	N A T I O N A L
Develop a federal, cross-agency initiative and incentives for EDA, SBA, USDA, SBIR, CDFI, HHS, and others (federally funded) to co-locate, partner, develop joint services, etc., for agricultural development; reduce federal barriers. <b>[Policy]</b>  <i>Comments: Any accounting analysis of the ~80 agencies addressing rural development? Duplication? An organization had support from some of the agencies but the agencies didn't get the support from above. Monthly meetings around the state with representatives from different agencies and the public and private sectors. The meetings end by specifically addressing who will take on the issue. Need online resource network where you can enter your need and the program will identify what programs are available from any agency included in the network.</i>		X		X
Add Governor, State Secretary of Agriculture, or economic development signature requirements to federal grants and programs before awarded to ensure compatibility and leverage. <b>[Policy]</b>		X		X
New Farm Bill tools and Cooperative Development Center legislation: Enable each to use each other's resources (state and federal) cohesively and effectively, and avoid duplication. (Research with a small 'r'). <b>[Policy]</b>		X		X
Create single form for all federal lending programs for agricultural development and place online; share with state and local lending programs or use a state- or locally-created single form. <b>[Policy]</b>		X		X
Develop an issue-based Web site for linkages to all federal and state programs.	X	X	X	X
Bring rural development into EDC scope. <b>[Policy]</b>		X		
Build a 'rural advocacy' base at the grassroots level (all organized stakeholders, NRDP, etc.).	X	X	X	X
Promote programs and networking at local/county fairs and use as opportunities for collaboration, training, and information sharing; "Take back the fair."	X			
Institutionalize NRDP as the voice of rural America and SRDCs at the state level; build network of institutions at state and national levels to provide support.	X	X	X	X
Endow a sustainable fund to support systems (networks, Extension, etc.).		X		
Use completion of 2000 Census (demographics info) for discussion of labor force.	X			

AREA 3: CONVENING	Scale			
	L O C A L	S T A T E	R E G I O N A L	N A T I O N A L
Connect farmers and communities, e.g., the Farm Bureau meets the Municipal League  <i>Comment: During a State Dept. of Commerce study, consisting of dialogues in 250 communities of less than 5,000 in population on the subject of the local economy, very few, if any, local leaders listed agriculture as a local economic engine (despite being in “farm country”). The commerce employee, a former farmer, would ask about agriculture but got little feedback.</i>	X	X	X	
Build inventory of agricultural assets.	X			
Create forums (including E-forums) for bringing together RD professionals, Extension, educators, EDCs, planners, grassroots organizations.				
Create town/county summits to bridge mindsets and find commonalities.	X		X	
Foster dialogue on the issue of which way rural areas should go: Food self-sufficiency or Winnebago factory in every county.	X	X	X	X
Faith-based and other groups should converge to work on these issues.	X	X	X	X
Advocate the value-added approach to rural policy to farm organizations, potentially the Farm Bureau.	X	X	X	X
Engage state-level economic development associations in a discussion of place-based economic development strategies for agriculture. <b>[Policy]</b>		X		
Engage the Kettering Foundation to produce a National Issues Forum (NIF) booklet on the future of U.S. agriculture—industrial vs. entrepreneurial agriculture—to be shared with Congress in their national yearly reports.  <i>Comments: OCM is looking to put on a conference in April/May 2003 on agriculture and rural policy interrelationships. Kettering did something like this about 10 yrs ago, but big agriculture captured the results. Study what went wrong before doing it again.</i>				X
Use NIF model for agriculture to facilitate community discussions or place-based economic development strategies and changes on local level. <b>[Policy]</b>	X			

AREA 4: MARKETING	Scale			
	L O C A L	S T A T E	R E G I O N A L	N A T I O N A L
Market local farm products locally through: Farmers' markets Direct subscription (CSA) Supermarkets/regional outlets/specialty grocery stores Local restaurants	X X X X	X  X X		
Create linkages so that schools buy local products for lunches; integrate agriculture into local education efforts.	X			
Working with existing non-profits, build a collaborative group of supporters of diversified agriculture to systematically market home-grown products to the state, colleges, private institutions, schools, and other aggregate purchasers of food products.	X	X	X	
Create and advertise collaborations among farmers for direct subscription of farm products.	X			
Promote locally grown/processed products to local grocers as competitive edge to Wal-Mart and other large competitors.				
Market locally grown/made products to tourists at traditionally franchise locations.	X	X	X	
Develop better advertising for farmers' markets.	X	X		
Develop better recruitment of farmers for farmers' market.	X			
Build state brand and systematic marketing policies and strategy.	X	X	X	
Institute a statewide coordinator and marketing partnership in support of existing farmers' markets and their extension to year-round and week-long systems.	X	X		
Develop regional branding of products that promote community character and identity.  <i>Comments: Is this needed? Family Farm brand has sub-brands and works like a distribution network. Financial viability of regional branding is not being evaluated well. Family Farm brand is a West Coast-based business working on this piece, as are other organizations (WA, MS). Community Involved in Sustaining Agriculture has done some evaluation of regional identity campaigns, funded by Kellogg.</i>	X	X	X	X
Develop regional marketing cooperatives for local/value-added products.	X	X		
Develop significant cooperative ventures for value-added processing (local/business community support; state/tax credits; regional/cooperative membership marketing; national/financial assistance).	X	X	X	X
Develop regional distribution networks to bring local produce into chain grocery stores.			X	
Develop horizontal/vertical network of producers with complementary products.	X	X	X	

AREA 5: TECHNICAL ASSISTANCE/TRAINING/EDUCATION	Scale			
	L O C A L	S T A T E	R E G I O N A L	N A T I O N A L
Assist entrepreneurs, such as producers of bakery products and jams and jellies, to develop wider markets for their value-added products.	X			
Develop private-sector technical assistance listings in the areas of marketing, public relations, accounting, and other agricultural development areas; find funding for technical assistance. <b>[Policy]</b>	X			
Engage the national SBDC system to build its talent for assisting value-added businesses.		X		X
Develop and market effective video tools to help build credibility for cooperatives and neighbor-to-neighbor joint projects.		X	X	X
Provide agriculture-based economic development training to local economic developers, for presentations to their state economic development academies and EDI.	X	X		
Create professional development certification program for community developers in agricultural and food systems development.  <i>Comment: Do not limit professional development certification to agriculture and food systems; it may create an image that won't sell well.</i>		X	X	
Create online course in agricultural development to showcase opportunities.			X	X
Integrate capacity-building programs that include leadership, community, and economic development programming and reach a wide variety of community members and agricultural interests. (e.g., provide leadership programming that gives participants a chance to study successful programs, ideas, and projects in other parts of the state, nation, and world). Provide this group with a support system to be creative and adapt these successful models to fit their own communities. Provide leadership training so that they generate change and work regionally with other communities to move opportunities forward, drive policy change on all levels to build on their assets, and develop effective programming that is user-friendly. Celebrate innovation. <b>[Policy]</b>	X	X	X	X
Identify and utilize the growing network of support services.				
Develop capacity to work with entrepreneurs on specific projects, i.e., feasibility studies, business plans, and follow-up support and mentoring.	X			
Engage the national/state banking associations in developing resources to train lenders on evaluating risk in new ventures.	X	X		X
Encourage resource providers to fill community facilitator/support roles. Communities must lead and not wait for an outside policy plan. Local investment must come first. (e.g., NE Community builders, TX and WI Community Visit-type programs). <b>[Policy]</b>	X	X	X	X
Make Western Rural Development Center a one-stop access point to land-grant universities in the West. <b>[Policy]</b>			X	

AREA 5: TECHNICAL ASSISTANCE/TRAINING/EDUCATION	Scale			
	L O C A L	S T A T E	R E G I O N A L	N A T I O N A L
Provide technical assistance to create entrepreneurial capacity for marketing, through internships for high school/college students.  <i>Comments: Is using high school student interns likely to deliver marketing services? Use professors/teachers to “prescreen” best students for specific projects. We have community-based education program in high school that teaches entrepreneurial skills, where students actually developed marketing business that provides excellent- quality work. Example of successful use of intern for market research: hired grad student, under direction of a team including land-grant faculty, entrepreneur, Extension agent, and CD corporation. Intern added value in market research using Internet and other databases, surveys, etc.</i>	X			
Develop and deliver a curriculum for high school vocational agriculture teachers on new entrepreneurial opportunities/changing trends in agriculture.	X	X	X	X
Create early-exposure opportunities to heighten awareness and engagement between rural and urban students, such as rural–urban exchange programs.	X	X		
Educate the emerging philanthropic community that is interested in rural issues about how to strategically invest in agriculture.	X	X	X	X
Provide education on policy implementation and enforcement (for producers, policy makers, and community members).	X	X	X	

AREA 6: FINANCING	Scale			
	L O C A L	S T A T E	R E G I O N A L	N A T I O N A L
Institute an investment strategy for micro-loans in agricultural start-up operations.		X		
Develop funding sources for entrepreneurs to incubate start-ups and growth phases. <b>[Policy]</b>	X	X		
Provide financing for implementation of business plans so they don't sit on a shelf.		X	X	X
Support the 'new people' in the community to support business start-ups and growth.	X			
Help define and focus emerging concept of community development venture capital (this has captured the attention of the Kansas City Federal Reserve Bank as a potential strategy and interest in biotechnology). <b>[Policy]</b>			X	X
CAPCO legislation in Colorado won 25% rural investment requirement; needs to be integrated into RBIC to leverage federal investment. <b>[Policy]</b>		X		
Create RBICs for value-added industry.			X	X
Develop more patient forms of capital; allow ventures to be built for long-term sustainability without being cut off in short-term. (national = flexible rules, new programs). <b>[Policy]</b>				X
Through 501(c)(3), equity investments, allow for 'patient' loans to build infrastructure. <b>[Policy]</b>	X	X	X	X
Involve bankers in economic development project planning at the earliest possible time; encourage bankers to establish financing rules, and develop plans to adhere to the banks' rules.	X	X		
Use consolidation in banking to overcome lender reluctance; bring national/regional private lender expertise to the table for "new" ventures.			X	X
Create an environment to modify state anti-corporate farming laws to allow modern 'townie' investments (nationwide but not federal).		X		X
Exempt actively farmed land from property tax. <b>[Policy]</b>				
Utilize Homeland Security and Biosecurity funding for support.		X		X

AREA 7: FUNDING	Scale			
	L O C A L	S T A T E	R E G I O N A L	N A T I O N A L
Provide incentives for farmers to develop their products, create business plans, etc. <b>[Policy]</b>		X	X	X
Seek congressional appropriations to support statewide initiatives to boost investment in and technical support for value-added agricultural entrepreneurship (instituted as a new non-profit to parallel state's conservation easement investment system). <b>[Policy]</b>		X		X
Move USDA resources from commodity products to assistance for value-added businesses.				
Use rural set-asides to fund value-added projects.				
Increase appropriations for rural SBDCs at local level. <b>[Policy]</b>	X	X		X
Ensure that legal and accounting fees can be financed (or included in grant awards) for value-added projects. <b>[Policy]</b>		X		X
Give support for research on agricultural development. <b>[Policy]</b>	X	X		X

AREA 8: TECHNOLOGY	Scale			
	L O C A L	S T A T E	R E G I O N A L	N A T I O N A L
Promote access to and adoption of affordable high-speed broadband telecommunications for rural residents. <b>[Policy]</b>  <i>Comments: Example: one telephone cooperative is providing DSL access to all customers within 3 miles of an exchange; probably will offer DSL to 90% of population in its trade area. Will be difficult to provide service to the last 10% at a reasonable cost; not always good training in areas for using telecommunications well; questions about what bandwidth is adequate. Many areas do not go beyond 56K, which is not adequate for information. Technology is changing.</i>	X	X		X
Improve telecommunications to help farmers access markets, technical assistance, and education.	X	X	X	X

AREA 9: PRIVATE SECTOR	Scale			
	L O C A L	S T A T E	R E G I O N A L	N A T I O N A L
Seek out and involve private-sector entrepreneurs (consultants) wherever possible; use debt or near equity to pay for their services. <b>[Policy]</b>	X	X		
Connect 'traditional' business leaders with agriculture businesses to share information and best practices (similar to SCORE).	X			
Build political support for value-added agriculture among business and online groups.	X			
Capture interest of philanthropic community in rural America.	X			
Develop a PBS program on trends in agriculture/entrepreneurial agriculture; facilitate community forums on the topic and on local actions (e.g., a Bill Moyers special).	X			

AREA 10: MODELS	Scale			
	L O C A L	S T A T E	R E G I O N A L	N A T I O N A L
Research successes and failures in using agriculture as a tool for rural development, and define key characteristics. Showcase examples (models) of successful efforts.	X	X	X	X
Study successful models (e.g., business case studies) and transfer knowledge in practical ways to producers, communities, and policymakers.	X	X	X	X
Create mechanisms for celebrating successful agricultural development and successful cooperatives.				
Land-grant university (CO State) is establishing public policy institute; there is opportunity to have focus on this topic, to identify existing policies that impede process and determine which need to be created (make into opportunity statement). <b>[Policy]</b>		X		
Examine Sun Grant Initiatives for the potential intersection of bio-energy and agricultural entrepreneurship. <b>[Policy]</b>			X	X
Develop VEN for nation.	X	X	X	X
Examine GEM high-growth businesses in each state and determine how to link these in clusters to reach breakout levels.				X
Examine Food Circles Networking Project in Missouri as a model for linking low-income people to agriculture.			X	X
Identify cluster groups for ‘critical mass marketing’ for growth potential (e.g., North Dakota’s 79 High Growth Businesses).		X	X	
Analyze economic demographics on the impact of community foundations (investment formulas, models).	X	X	X	X

AREA 11: OTHER	Scale			
	L O C A L	S T A T E	R E G I O N A L	N A T I O N A L
Define agriculture as Food and Fiber System (clusters) rather than solely as production agriculture. <b>[Policy]</b>	X	X	X	X
Disconnect the political agendas (e.g., corporate farming vs. anti-corporate farming) from agricultural development services and programs. <b>[Policy]</b>				X
Target efforts towards the sectors that have the highest potential for job creation/economic development (these have been identified).		X		
Conform USDA programs and policies to support improvement in competitive position of high value-added businesses. <b>[Policy]</b>		X		X
Develop national/state/rural policy that reflects the value-added characteristics of the agricultural sector rather than the industrial model. <b>[Policy]</b>		X	X	X
Create environment for making rural communities more attractive to young people. <b>[Policy]</b>		X		X
Mesh non-traditional (e.g., organic) with traditional farming needs.	X	X		
Bring more young people into farming/value-added processing. <b>[Policy]</b>	X	X	X	X
Allocate USDA resources to states and allow them to decide policies and programs.	X	X	X	X
Use public policy institutes to identify policy restraints.				

## IX. Summary

The obstacles to accepting agriculture as a warranted rural development strategy, as asserted by the workshop participants, are based in the fact that agricultural policy is not the same as rural development policy. This means that few public resources are spent to help farmers capture more of the food dollar and increase the likelihood that they can remain viable. As producers of raw commodities, farmers and ranchers have seen their share of the food dollar steadily decrease, and most find themselves without the skills and knowledge needed to develop new markets and value-added businesses.

The groups acknowledged that the capacity of both farmers and rural communities for economic development is limited, as is the infrastructure needed for success, such as financial institutions, 'patient' capital, and technical assistance. Additionally, farmers themselves present a challenge to developing value-added agriculture because many are highly independent and resistant to change, and lack a vision for the future. As farm numbers have dwindled over time the connections between farmers and their communities have been broken, and farmers are even more distanced from their customers in urban communities. Trust must be re-established so that rural communities can take up the work of local economic development through agricultural enterprises. This is not an easy task because institutions including land-grant universities, local governments, and federal agencies have provided only limited assistance over the past decades.

Although numerous barriers and challenges were identified by the workshop participants, many opportunities and ideas for overcoming them were put forward as well. New markets and businesses are the goals for all of these efforts. A variety of specific options to increase technical assistance, training, and education and build marketing and entrepreneurial skills were presented. Acknowledging the present imbalance in resources and expertise, a large number of the needs and opportunities presented spoke to collaborations and coordination. One participant, for example, suggested developing an 'e' (for both entrepreneurial and electronic) magazine to share information from all key resource providers. Another suggested that, to ensure

compatibility and leverage for different funding sources, there should be signature requirements to federal grants for the Governor, State Secretary of Agriculture, or the economic development director. Existing financing mechanisms, a significant barrier to agricultural development, were addressed through ideas such as more micro-loans for agricultural start-up operations, and the involvement of bankers in economic development project planning from the beginning. It was clear that the success of these efforts would require a significant growth in networking skills and activities. Building this capacity should be done by facilitators who can bring together people in communities to adopt a more systematic approach to problem-solving and take on these new tasks.

The workshop participants were well aware that they were not starting from scratch, and believed that ways should be found to showcase successful value-captured models from various states and localities. Pre-existing expertise from the private sector should be utilized to serve would-be farmer entrepreneurs, using debt or near-equity to pay for their services. Effective use can be made also of leadership/planning modules that have been produced to assist farmers and other rural residents.

Finally, there were several dozen recommendations that speak to the policy changes needed to help value-added agricultural enterprises to flourish. One example is securing federal appropriations to support the development of new state non-profit organizations that encourage investment and technical assistance for agricultural development. Another is federal, cross-agency initiatives and incentives to enable all key federal agencies to develop partnerships and joint resources directed to agricultural development.

These policy ideas, presented by people who work at the local level, warrant attention from the many organizations, including government agencies, foundations, and agricultural non-profits, that are now convening meetings to reexamine the national rural policy framework. It is our hope also that rural development practitioners and agricultural development specialists will find new ideas here that can augment and improve their programs.

## Appendix A: Workshop Agenda

**9:00 – 9:15 am**            **Welcome**

Kate Clancy, Managing Director, Wallace Center for Agricultural & Environmental Policy at Winrock International, and Ella Ennis, Senior Desk Officer, National Rural Development Partnership Office.

**9:15 – 10:15**            **Morning Speaker**

John Allen, Director, Center for Applied Rural Innovation, University of Nebraska-Lincoln.

John Allen is an expert in the field of agriculture and rural development and will set the overall context for the meeting. There will be a half-hour for questions from the participants.

**10:15 – 10:30**            **Break**

**10:30 – 12:00**            **Identifying Challenges**

Participants will break into groups of 6–7. They will engage in a facilitated discussion to identify as specifically as possible, based on their experiences, the problems they have encountered in offering or helping farmers/ranchers access assistance from rural development institutions at the federal, state, and local levels. To do this, they will discuss examples of where they have been successful (but met barriers) and where they have failed in their efforts.

**12:00 – 1:00**            **Lunch**

**1:00 – 2:30**            **Afternoon Panel**

Don Macke (Co-Director, Center for Rural Entrepreneurship), Tony Smith (National Program Leader of Economic and Community Development at USDA Cooperative State Research, Education, and Extension Service), and Robert Gibbs, (Program Chair, Southern Regional Science Association; and Senior Regional Economist, USDA Economic Research Service).

Don Macke, Tony Smith, and Robert Gibbs are experts in various fields of agriculture and rural development. They will talk about programs that are presently facilitating agricultural development, and what they see as program or policy needs. There will be a half hour for questions from the participants.

**2:30 – 2:45**            **Break**

**2:45 – 4:15**            **Identifying Opportunities and Needs**

Participants will meet in the same groups as in the morning session. In this facilitated session, they will discuss the opportunities for engaging rural/economic development institutions in assisting farmers/ranchers, and develop a list of policy, research, and action needs.

**4:15 – 5:00**            **Report Back to Group**

**5:00 – 5:30**            **Closing Comments**

## Appendix B: List of Workshop Participants

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