



THE OHIO STATE UNIVERSITY



Building Rural Communities From Within

Legislative Agriculture Chairs Summit

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Introduction

- Comment on rural economy and a slowing farm economy.
- Describe successful rural economic development.
- The best strategy is to build from within. Each rural community and its broader region have sufficient assets for prosperity—namely its people.
- Three assets I will stress:
 - Working collaboratively as a region.
 - Your people and your businesses.
 - Provide the right incentives, knowledge and skills for them to thrive.
- **SIMPLE STRATEGY!** Be patient and build from within while leveraging local and regional assets.

Rural Economy and a farm crisis

- **Scenario** is that the farm economy is due for a recession/correction which will also pressure farmland values that have soared in the last decade.
 - Direct effects of spillovers from declining demand in the farm sector including its supply chain.
 - Indirect effects if decreases in farmland valuation affect banks' balance sheets and they curtail lending.

Rural Economy and a farm crisis

- I don't think a broad-scale farm crisis like the 1980s is likely to happen in the near future.
 - The direct size of the farm economy and its upstream input suppliers is about one-half the size of the 1980s.
 - Farmland prices and farm finances seem to have a stronger economic foundation than other “bubbles” or crises.
 - Higher commodity prices than a decade ago.
 - Lower long-term interest rates than a decade ago.
 - Rents have moved nearly in tandem with land prices.
 - Farm household debt/asset ratio is at historic lows—11%.
 - Rural economy is much more diverse and resilient than a generation ago.

Building Smart Communities

- Rural communities are very diverse:
 - i. Amenity rich
 - ii. Urban adjacent, low density suburb in many ways
 - iii. Remote rural, often resource or agriculture dependent.
- So I need to be a little humble in giving advice.
- Most jobs are created by existing businesses having job births and fewer job deaths (retention and expansion).
Then business start-ups.
 - Few jobs are created by new businesses moving in. One reason why economists don't like special incentives but rather favor lower taxes for all businesses.

Building Smart Communities

- **Small business and new business development by building entrepreneurship.**
 - New and small businesses create a disproportionate share of new jobs.
 - They help create a diverse economy that is resilient.
 - They help foster an entrepreneurial spirit for themselves and their elected officials.
 - Fast growing firms can come from any industry in any place.
 - Manufacturing?
- Sensible regulation
- Taxation that is fair to all businesses
- Help support lending to small businesses by reducing risk.
 - Business standards in lending.
- Keep in mind their most scarce resource is time.

Building Smart Communities

- **Using farming as part of the engine for growth.**
- Take advantage of farm entrepreneurship. Research has found a greater farm share is positively linked to nonfarm entrepreneurship. (Source: Stephens and Partridge, 2011).
- Today, farmers are good role models
 - 1. Tied to land—not outsourcing to China.
 - 2. Have experience managing medium-sized business and has developed entrepreneurship.
 - 3. Understand futures markets, global markets, exchange rates, know how to manage capital.
 - 4. Have financial wealth to invest.

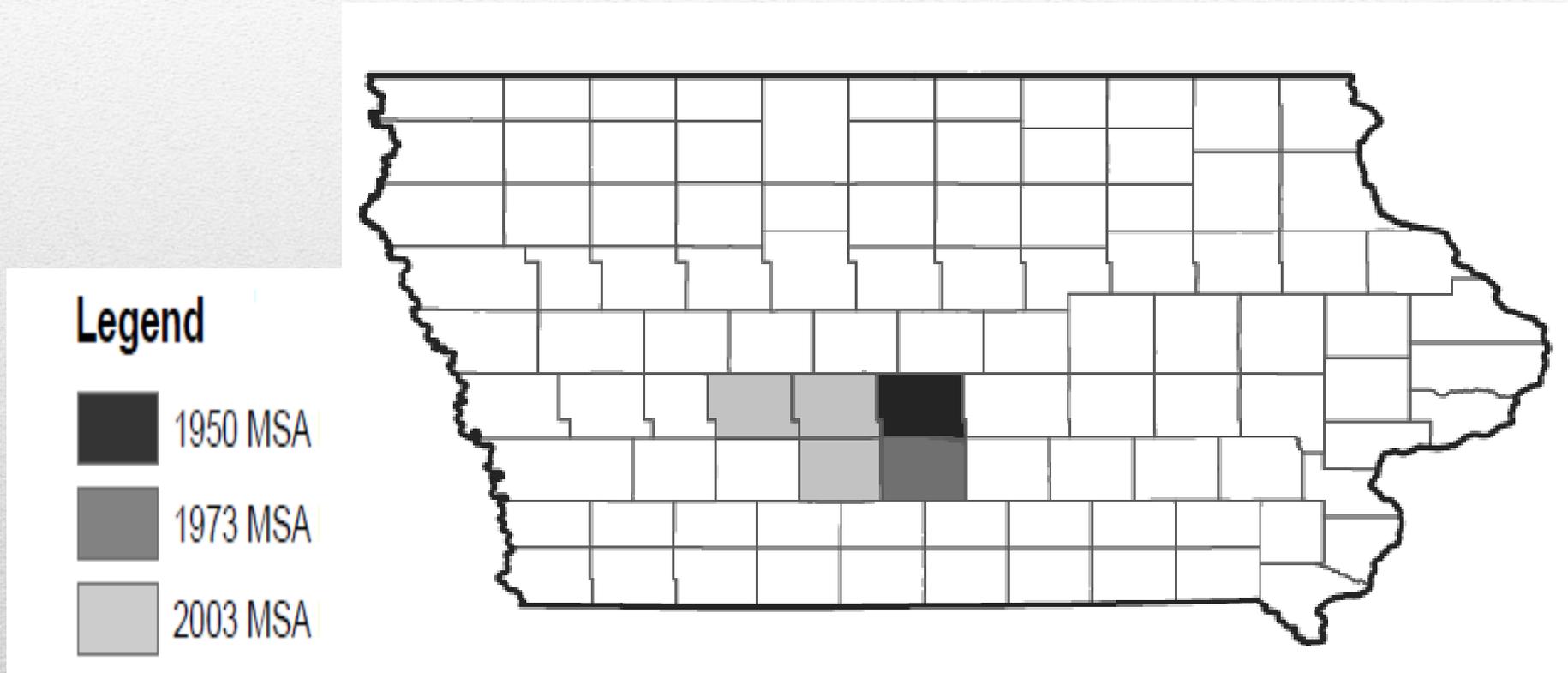
Building Smart Communities

- **Education and workforce training.**
 - Rural businesses fret about labor force quality.
 - Probably the most robust predictor of growth is having high educational attainment or creative occupations.
 - Not just that more educated people earn more and have greater participation in the labor market.
 - Spillovers from the workforce.
- Rural communities are unlikely to retain many young educated people. But in their 30s, rural communities have a lot to offer these families.
- In particular, quality of life and good schools are an economic development engine. Only rural areas can offer that variety of life.
 - Good schools attract the people you want to your community.
 - At the very least, they prepare your children for a prosperous future by supporting early childhood education.
 - Build a strong community/technical college network and make K-14 the norm.

Leveraging your region's potential

- 21st Century communities are linked in webs
 - Growth spreads out a hundred of miles from a city as small as 30,000. Source: Partridge et al., 2007
- If someone can commute, they shop, utilize health care, participate in service organizations, etc.
- Regions share common interests which should be exploited regionally.
- Economists contend that gov't jurisdictions should reflect common interests. Functional Economic Regions.
 - Economic development
 - Tax sharing of common economic gain to share costs
 - Environmental costs and sprawl
 - Infrastructure is inherently regional
- Regions that realize they are linked will have a competitive advantage in the global economy.
 - Lower taxes, better infrastructure, better public services, stronger economic development
 - Just being a little more competitive will shift capital from around the world at the click of a mouse.

The 1950-2003 Expansion of the Des Moines Metropolitan Statistical Area, Iowa



Source: U.S. Census Bureau. And Partridge and Olfert, 2011

Conclusions

- Work from within your communities to build them.
- Leverage entrepreneurship, education, and regional collaboration to build strong rural communities.

Links to other slides:

1. Rural economic resiliency and a potential farm recession:

Partridge, Mark D. (2014) “Farmland Bubbles and Risks to the Rural Economy” 2014 Federal Reserve Bank of Kansas City Agriculture Symposium. Available at: <http://www.kc.frb.org/publications/research/rscp/rscp-2014.cfm> under “Session 3.”

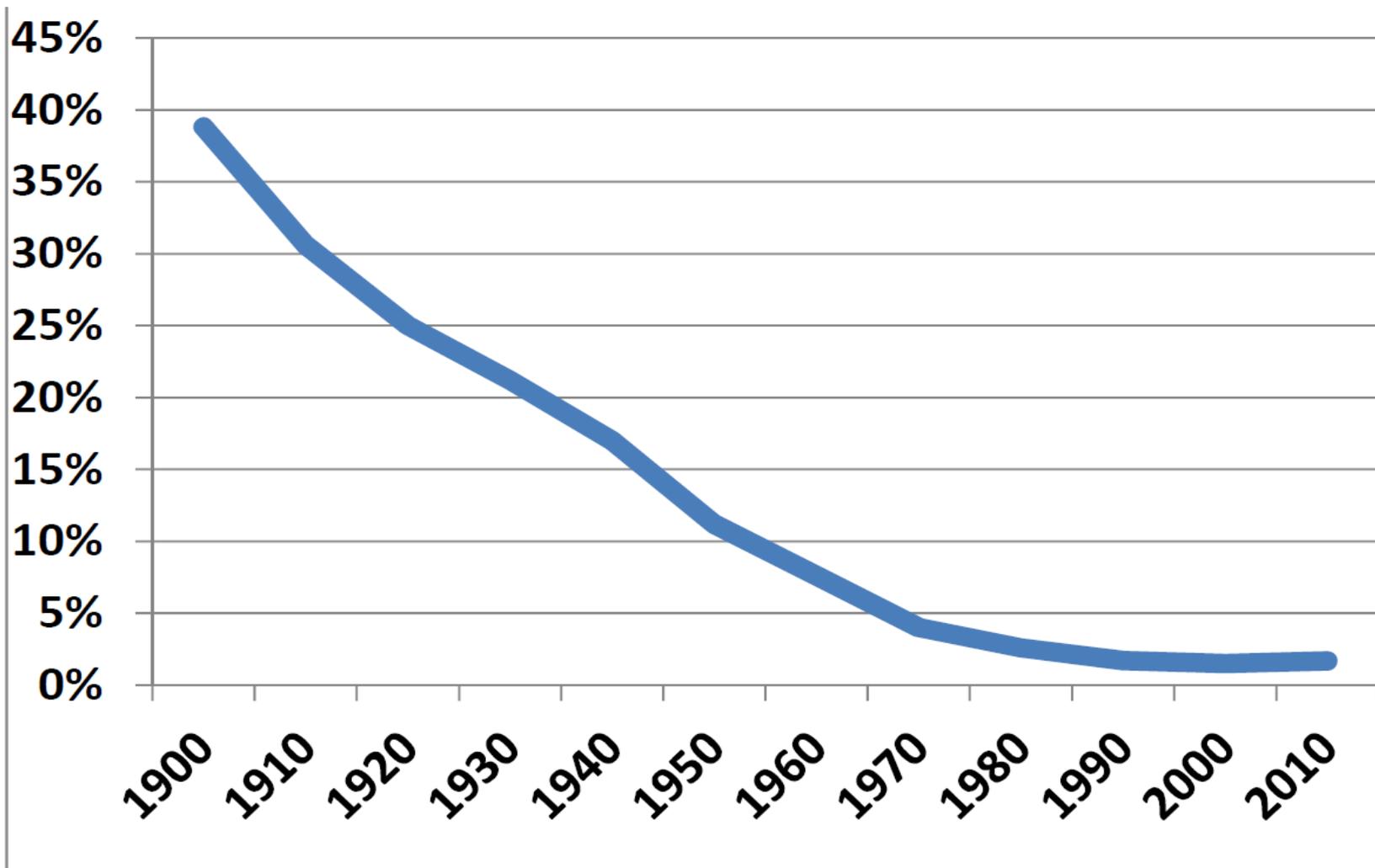
2. “The Winners' Choice: Sustainable Economic Strategies for Successful 21st Century Regions.” North Central Regional Center for Rural Development, Michigan State University, Lansing, MI, Nov. 1, 2011. Recorded Presentation and Power Point Slides: http://ncrcrd.msu.edu/ncrcrd/chronological_archive (go to 2011 presentations).

3. “Building Prosperous Regions: What Works.” Plenary Breakfast Address, Presented at the Regional Planning Growth Conference: The Economic Case for Regional Cooperation, Regina, Saskatchewan. Slides available at: <http://aede.osu.edu/about-us/publications/regional-growth>



Thank You!
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Figure 3: Percentage of Farm Employment as a share of the Labor Force: 1900-2010

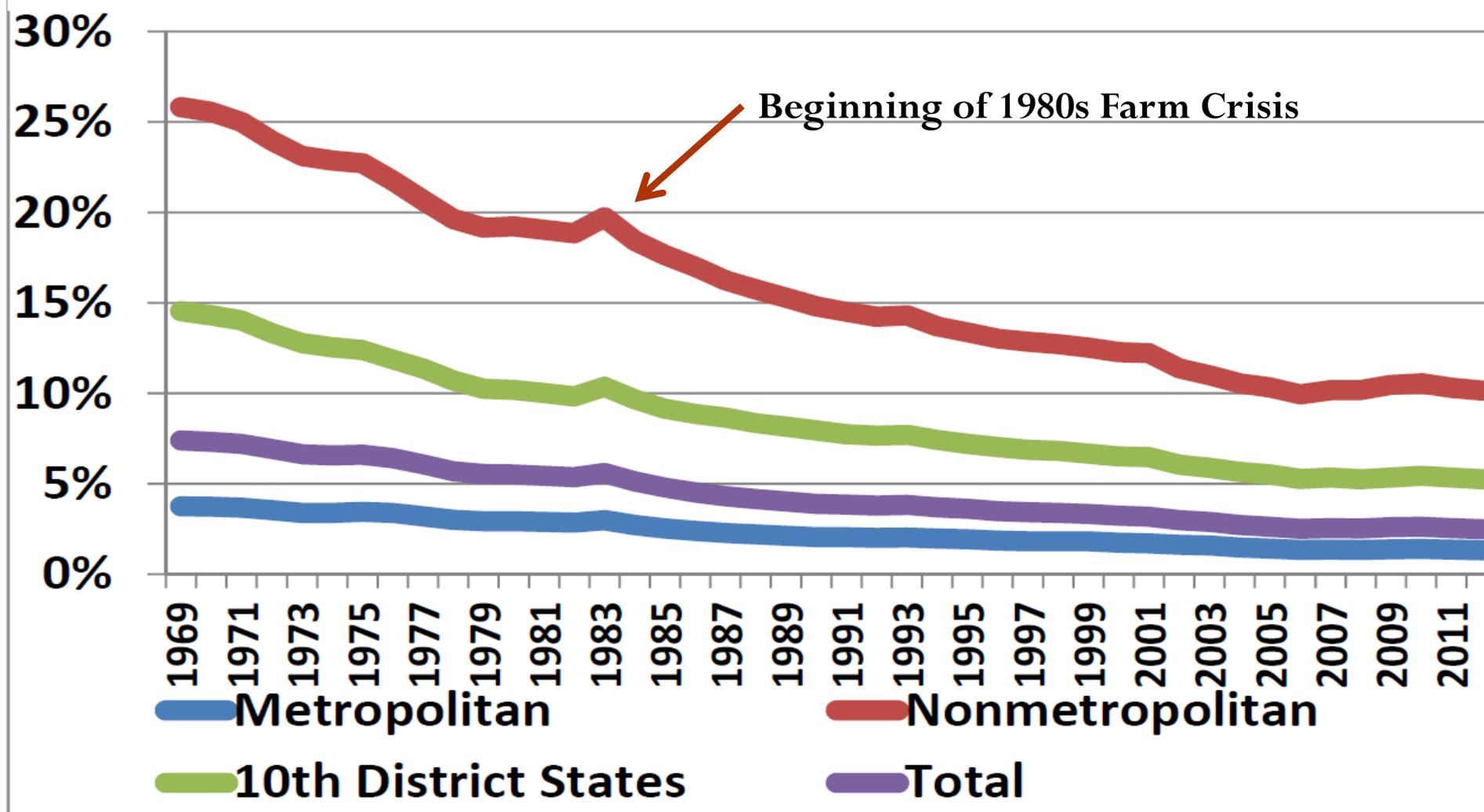


Source: Trends in U.S. Agriculture published by USDA-NASS

http://www.nass.usda.gov/Publications/Trends_in_U.S._Agriculture/Farm_Population/index.asp;

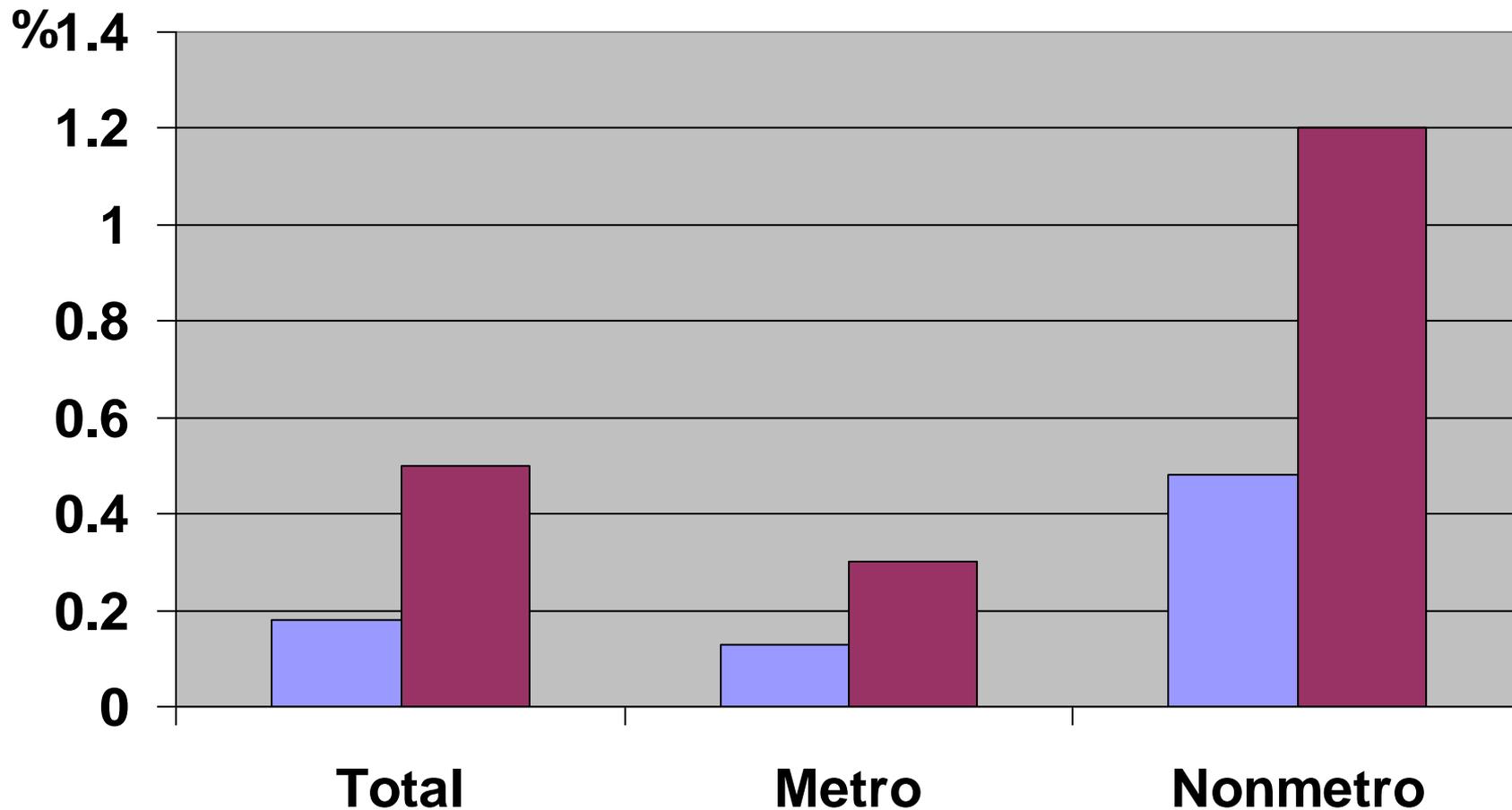
U.S. Census Bureau, Census 2000; (for data in 2000), and the Bureau of Labor Statistics (for data in 2010).

Figure 4: Percentage of Total Jobs in Farming, BEA Definition: (1969 - 2012)



Source: Bureau of Economic Analysis and includes farm and nonfarm proprietor employment. BEA data include all jobs including casual employment and all of the jobs for multiple jobholders.
 The 10th Federal Reserve District either fully or partially includes the following states: New Mexico; Oklahoma; Colorado; Wyoming; Nebraska; Kansas; and Missouri.

US Share of Agricultural Inputs Employment as a Percentage of Total Employment

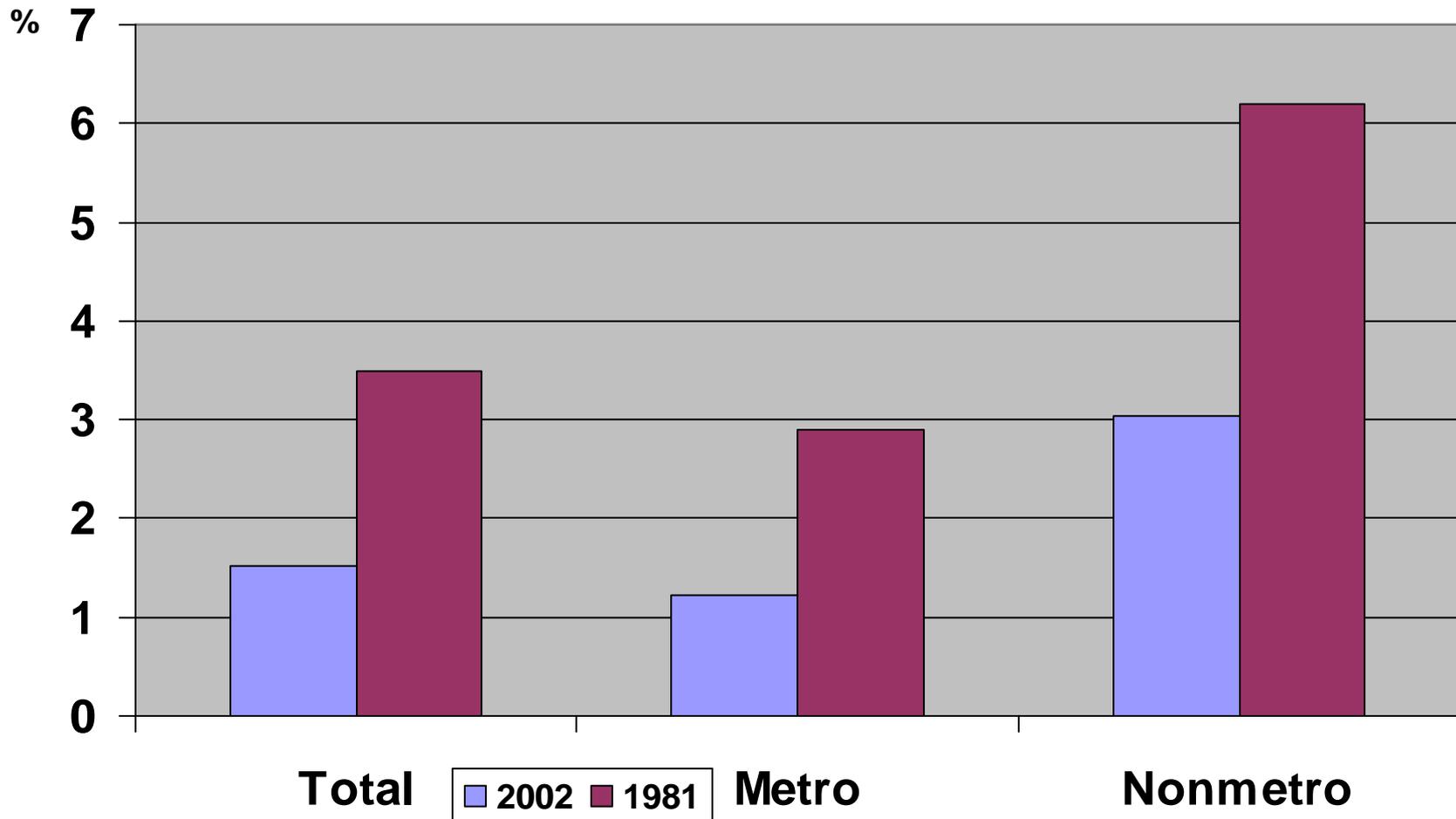


Taken from Partridge (2008a)



Agricultural inputs comprises of agricultural chemicals, farm machinery and equipment, farm supply and machinery wholesale trade, and commodity contract brokers

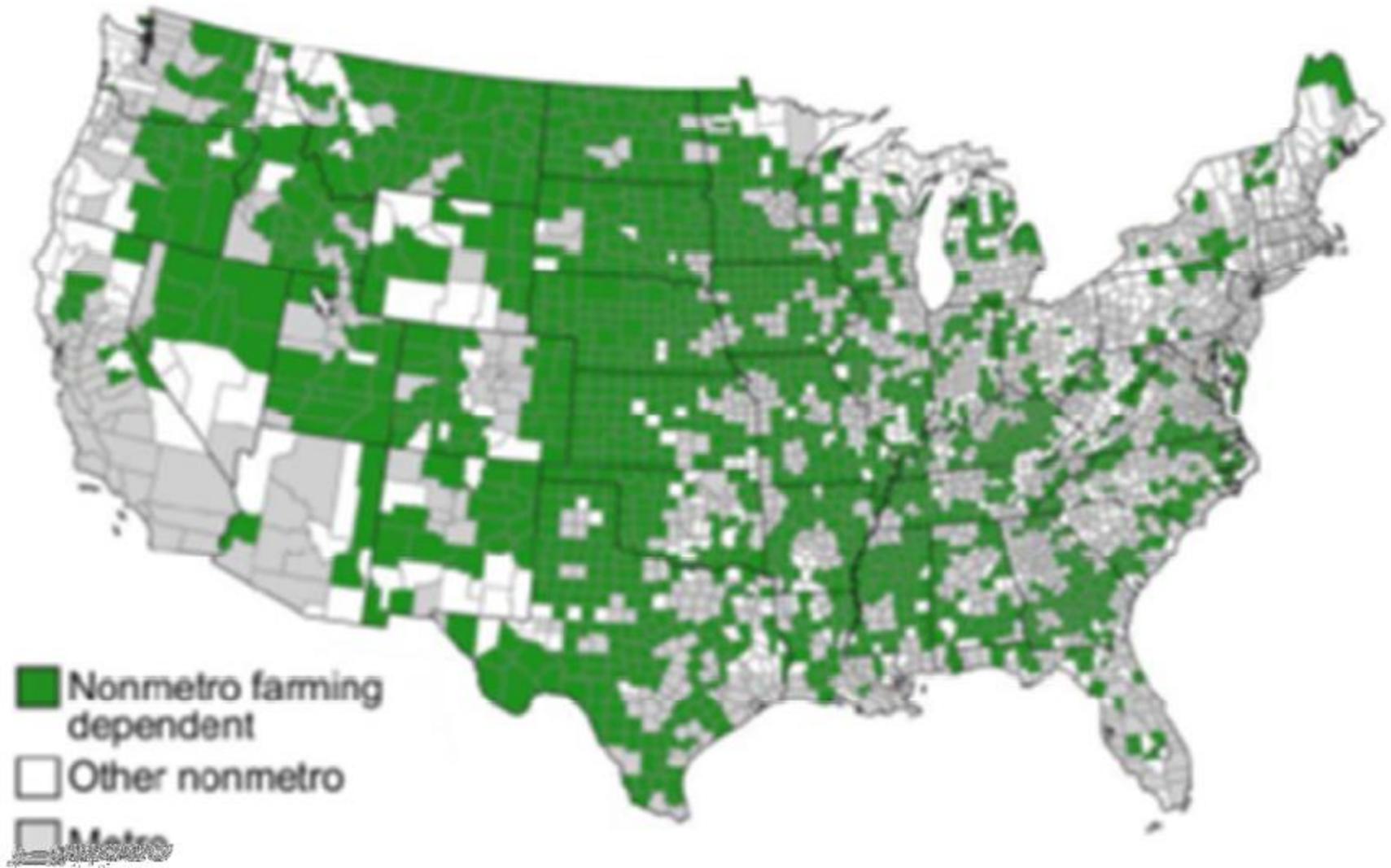
US Agricultural Processing and Marketing Employment as a Percent of Total Employment



Agricultural processing and marketing comprises of meat products, dairy products, canned, frozen and preserved fruits and vegetables, grain mill products, bakery products, sugar and confectionery products, fats and oils products, beverages, miscellaneous food preparation and kindred products, tobacco products, apparel and textiles, leather products and footwear, packaging, farm-related raw materials and wholesale trade, and warehousing. 16

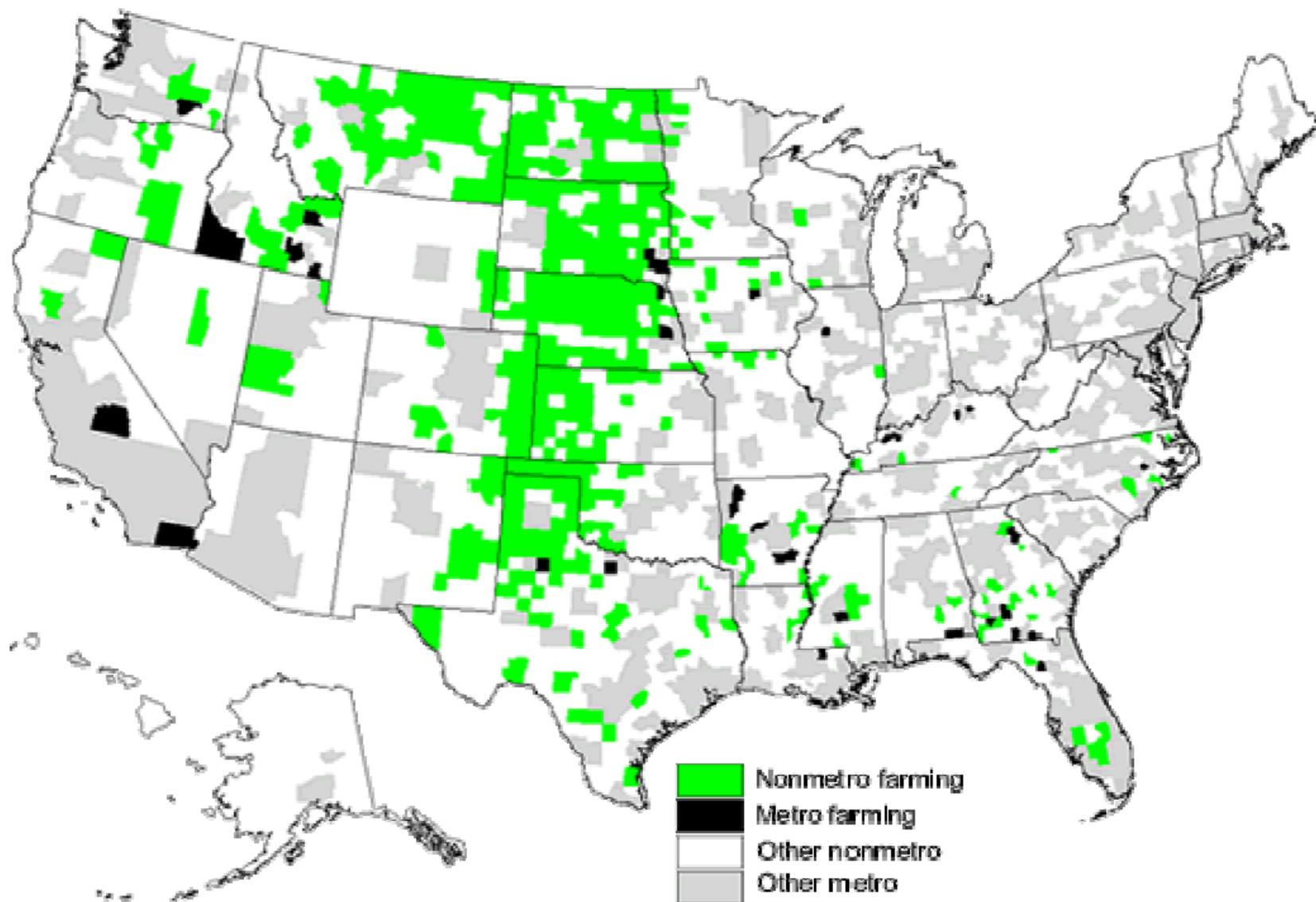
Taken from Partridge (2008a)

Figure 1: Nonmetropolitan Farming-Dependent Counties 1950



Source: U.S. Dept. of Agriculture, Economic Research Service, *2007 Farm Bill Theme Papers, Rural Development July 2006*. See the notes to Figure 2 for the definition of Farm Dependent. 17

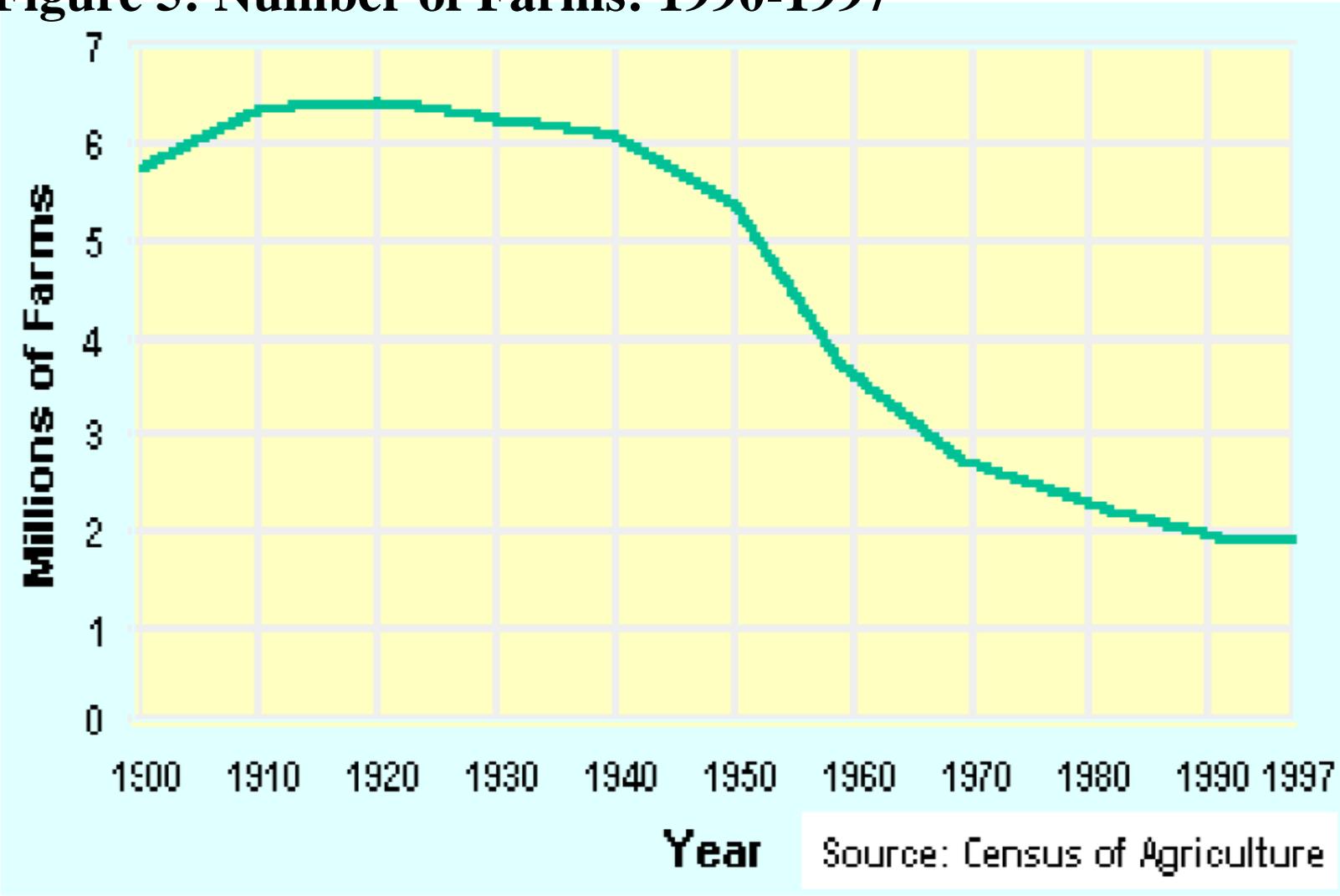
Figure 2: Farm Dependent Metropolitan and Nonmetropolitan: 1998-2000



Farming-dependent counties—either an annual average of 15 percent or more total county earnings derived from farming during 1998-2000 or 15 percent or more of employed residents working in farm occupations in 2000.

Source: Economic Research Service, USDA.

Figure 5: Number of Farms: 1990-1997*



*Source: USDA, Economic Research Service, "Trends in U.S. Agriculture." Available at: http://www.nass.usda.gov/Publications/Trends_in_U.S._Agriculture/Farm_Numbers/index.asp, downloaded May 27, 2014.