

Strategies to Revitalize Rural America

Strategy #1: A Federal Rural Policy

A Federal Rural Policy that Integrates Agriculture and Rural Development

It is time to establish a national rural policy that revitalizes rural communities through new initiatives and reforms to existing policy. This article will focus on small agricultural communities because they are the Center's focus. But a national rural policy must address the needs of all of America's struggling rural communities.

Money, Farm Programs, and Rural Development

Discussion of federal rural policy often starts with money and ends with proposals to eliminate farm programs and commit the money to rural development. That won't work.

Ending farm programs would cause bankruptcies, farm foreclosures, and bank failures and wreak havoc in agricultural communities. We would lose many small and mid-size farms.

Some advocate divorcing rural development policy from agriculture policy and removing it from the agricultural committees of Congress. That won't work either, at least not for agricultural communities.

There's not much new money laying around to be had elsewhere in the federal budget. And a rural policy divorced from agriculture won't adequately address the needs of farm and ranch communities.

But there are practical steps that can be taken to balance federal spending on immediate income support for farmers with the critical investments that must be made in creating a future for rural communities and family farmers and ranchers. We could start by capping payments to large farms and investing the savings in sustainable rural community development.

Payment caps would keep more small farmers on the land to support rural communities. A payment cap that cut 10 percent of farm program spending would free up sufficient funds for a ten-fold increase in rural development – nearly \$10 billion over the life of the farm bill. And it would improve the income of most farm operators by reducing the incentive for large expansion-oriented farms to drive up cash rents and land purchase prices.

Likewise, the introduction of modest supply management measures for years of extreme surplus would prevent the kind of free fall in farm commodity prices that fueled record federal farm spending in recent years. That would moderate the level of farm commodity payments and generate some savings for rural development initiatives without undermining the family farms so important to agricultural communities.

Supporting Rural Entrepreneurship

There is great potential to enhance rural community viability by investing in entrepreneurship. Agricultural communities often have extraordinarily high rates of self-employment – two to three times the rate of metropolitan areas in the nation’s heartland.

But funding is sparse for programs that support rural entrepreneurship and small business. The federal Small Business Administration provides funds for loans, technical assistance, and training programs for micro enterprises – businesses with five or fewer employees. But funding is not adequate to come close to reaching all of the rural areas that need assistance.

The Senate version of the 2002 farm bill provided new funding for such programs in rural communities, but it was dropped in the final version. It is urgently needed.

The final farm bill did authorize a Beginning Farmer and Rancher Development Authority to support research, education, and linking programs to assist beginning farmers and ranchers. But though the program was authorized, it was provided no money to operate.

One new program that did get farm bill funding is the Value Added Agricultural Grants program. It received \$250 million to establish new value-added initiatives, high value marketing initiatives, and cooperatives that strengthen small and mid-size farms and increase the rural share of food system profit. That \$250 million will do far more to create a future for family farming and ranching than it would do in farm program payments.

The farm bill also provides financing for rural community investments in high speed Internet access. That is a start, but more policy initiatives will be needed. To succeed, rural small businesses must have quality Internet service to link them to the regional and national economy.

Integrating Community Revitalization into Existing Policy

A national rural policy must ensure that all relevant areas of policy are consciously designed to strengthen rural communities. There will not be enough money to solve the problem through new rural development programs if the rest of federal policy ignores or undermines rural America.

Farm policy demonstrates the wrong approach. It is implicitly a policy to depopulate rural America and undermine rural communities.

Its bias toward consolidating farming into big units, its structuring of farm payments in a manner that causes them to accrue to often distant landowners instead of local farm operators, and the emphasis in its research programs on approaches that shift food system profit out of agricultural communities and into metropolitan-based input suppliers have all contributed to rural decline.

One step in creating a national rural policy is to fix farm policy so it helps rather than hurts rural communities. Key steps include:

- farm payment caps
- establishing a competition policy that provides fair market access to family farmers and ranchers,
- expansion of value-added programs that enable producers to capture a fair share of food system profit, and
- awarding federal applied agricultural research grants based in part on whether the research would strengthen or weaken rural communities.

Conservation and Rural Development

Rural development can likewise be incorporated in conservation policy. The rural communities that are thriving are those with environmental assets – lakes and mountains. They are thriving because people want to live there, and when they do, they strengthen the local economy by starting businesses or spending retirement income.

Most small communities are sitting on a potential environmental asset – uncrowded natural space. For example, communities that work with landowners and federal conservation programs to restore land along streams to a natural state and provide public access would have an asset that would make them more attractive places to live. And though most farm communities will never become tourist economies, providing access to natural space could provide the basis for new small businesses such as bed and breakfasts.

The new farm bill gives the Secretary of Agriculture authority to work with communities in adjusting conservation programs to fit local needs through the Conservation Partnerships and Cooperation Program. That authority should be used to work with communities that want to use a quality environment as a development asset.

The secretary should also use the authority granted by the farm bill to adjust conservation programs to help beginning farmers. It allows the secretary to be creative. For example, beginning farmers could be provided a 10-year stream of conservation payments up front to finance their start in farming, in return for a legally binding 10-year commitment to practice conservation.

The New Homestead Opportunity Act

Historically, Congress has addressed the problems of high unemployment and high poverty communities by establishing “Enterprise Zones” and providing tax incentives for investors and large business to create jobs.

Agricultural communities have not been effectively served by that approach. They don’t qualify because of their low unemployment levels. The incentives for corporate job relocation and outside investment do not fit what works for them. Job recruitment strategies haven’t worked. Their greatest opportunities are in local entrepreneurship.

The “New Homestead Economic Opportunity Act” introduced by Senators Byron Dorgan of North Dakota and Chuck Hagel of Nebraska addresses those limitations. It focuses assistance on counties suffering population loss.

The Act supports entrepreneurship and local ownership by establishing government-matched savings accounts called “Individual Homestead Accounts.” Funds could be withdrawn to start a small business, pay for educational expenses, make first-time home purchases, and pay medical expenses.

This legislation could be strengthened. A 30 percent investment credit up to \$2,500 annually could be provided for investments in non-farm micro enterprises and investments by beginning farmers in operating capital, inventory, etc. Land and business owners could be encouraged to sell to beginners by offering them federal guarantees on contract sales to beginners and by exempting the interest income from taxation.