Building A Stronger Economy on Main Street

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Building Stronger Main Streets

• Rural America’s Twin Challenges
• The New Frontier of Opportunity
• The New Game Plan
Rural America’s Twin Challenges

• Uneven economic growth…
• And big population shifts.
The challenges in rural America

1. An uneven rural economy.
   6 of 10 rural towns looking for new economic growth...
Economic gains are uneven across rural America...
The challenges in rural America

2. Decline or slow gains in population.
   - Leadership capacity is strained...
   - As are public services.
Population growth...

1990 - 2000 Change

Percent population change, 1990-2000
- Decline to no change (-22 - 0%)
- Low increase (1-9%)
- Middle increase (10-19%)
- High increase (20-66%)

Source: US Census Bureau Center for the Study of Rural America, FRBKC
The New Frontier of Opportunity

• An exciting range of opportunities…
• Moving away from commodities…
• But away from the comfort zone.
The New Frontier

• Farmaceuticals
• Farm-to-grocer foods
The bold new world of farmaceuticals

- A fusion of agriculture, nutrition and medicine...
- Where prevention overtakes the cure.
The pharmaceutical impact

- One “small market drug”
- 7,000 to 10,000 acres
- $80 million processing plant
- High-skill, high-wage jobs
How to get there?

- ISO 9000 attention to quality
- Several hundred farmers - all on the same page
- Multi-community, multi-county partnership.
- University support for technology and business assistance.
- Giving up commodities.
Farm-to-grocer foods

- Affluent consumers want quality, nutrition, taste, and choice.
- Farmers within striking distance of cities can deliver that.
Farm-to-grocer foods

- Surprisingly few U.S. examples
- Instead, a strong tie to commodities.
- Waitrose offers an interesting case study.
Waitrose - Giving consumers choice…
And farmers new markets.

• Rapid growth in past 10 years.
• A business strategy built on “choice.”
• Offer more than 1,500 organic foods…
  From farm-fresh organic leg of lamb…
  To “deep-strawed eggs.”
How to get there?

- Form critical mass of growers.
- Partner with grocers.
- Strike win-win contracts.
Other New Frontier Opportunities

• E-business producer services
• Advanced manufacturing
• Scenic/heritage amenities
  NY’s “dairies to wineries” program
The Common Thread

- In the past, independence
- In the future, interdependence
The New Game Plan

- For rural businesses.
- For rural communities.
- For rural policymakers.
The Game Plan for rural businesses.

- Know the marketplace.

*Hitting the product bulls-eye is a completely different game than growing commodities.*
The Game Plan for rural businesses.

- Know your partners.

Small scale is a liability...and it will be important to build critical mass and access to markets with fellow businesses.
The Game Plan for rural businesses.

• Know the technology.

Adapting to processes like ISO 9000 will be “must do” to be successful.
The Game Plan for rural businesses.

• Know your finance.

Equity capital will be the critical piece in the financial puzzle.
The Game Plan for Rural Communities

• Above all else, think *regionally*.
• Urge policies that support regional partnerships.
• Think investment, less recruitment.
The Game Plan for Rural Communities

• Industrial recruitment is a zero-sum game.
• How to raise the bar?
• How to move beyond low-value commodities?
The Game Plan for Rural Communities

• Explore regional solutions to fiscal pressures.
• Lift rural quality of life...
  Housing
  Entertainment
  Education
  Health care
The Game Plan for Rural Policy

A new focus on:

• Regions
• Partnering
• Regional competitiveness
Three focal points for a New Policy Paradigm

• Place  
  not  
  one sector

• Partnering  
  not  
  one firm

• Regional Competitiveness  
  not  
  one national industry
Why place?

- Place is what differentiates rural communities
- Place is ultimately what we value in rural America...

*If we value it at all.*
Why partnering?

- Most rural firms are small
- Clusters or networks make small firms competitive
- The “coop” principle writ large
- A clear focus of rural development globally.
Why regional competitiveness?

• Krugman and Porter:
  Regions matter in a global economy.
• The constant challenge:
  Create new competitive advantage -
  don’t protect the old.
• Not every rural town will survive…
  A good reason to focus on regions.
U.S. rural policy still lags shifts in the rural economy...

Spending in the 2002 House Farm Bill

Agricultural trade

Crop Insurance

Agricultural research

Rural development

Commodity Support

Conservation

Forestry
Policy thinking is changing...

Especially among rural groups with place-based franchises...

- Community bankers
- Rural utilities
- Economic developers
Conclusions

• The rural Northeast has new opportunities…
• But regional partnering will be essential…
• Along with new approaches to rural policy…
• Rural leaders crucial to charting new policies.
The New Power of Regions
A Policy Focus for Rural America

A national conference
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