

Building A Stronger Economy on Main Street

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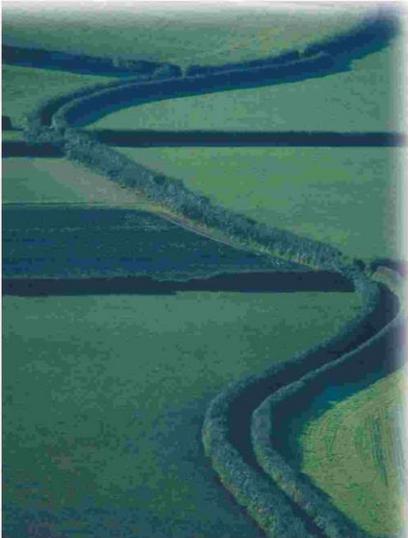
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CENTER FOR THE STUDY OF RURAL AMERICA
Federal Reserve Bank of Kansas City

The Main Street ——— Economist

Commentary on the rural economy



Building Stronger Main Streets



- **Rural America's Twin Challenges**
- **The New Frontier of Opportunity**
- **The New Game Plan**

An aerial photograph of a rural residential development. A paved road runs diagonally from the bottom left towards the top right. Several houses of varying styles are scattered across the landscape, some with large lawns and others in more open, undeveloped areas. The terrain is a mix of green grass and brown, cleared earth. The text "Rural America's Twin Challenges" is overlaid in a large, bold, black serif font across the upper middle of the image.

Rural America's Twin Challenges

- **Uneven economic growth...**
- **And big population shifts.**

An aerial photograph of a rural town in America during autumn. The town features a prominent white church with a tall steeple in the center. Surrounding the church are various residential houses, some with dark roofs and others with lighter colors. The landscape is dotted with trees showing vibrant autumn foliage in shades of orange, yellow, and red. In the background, there are green fields and a small stream or river winding through the area. The overall scene depicts a peaceful, small-town setting.

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...

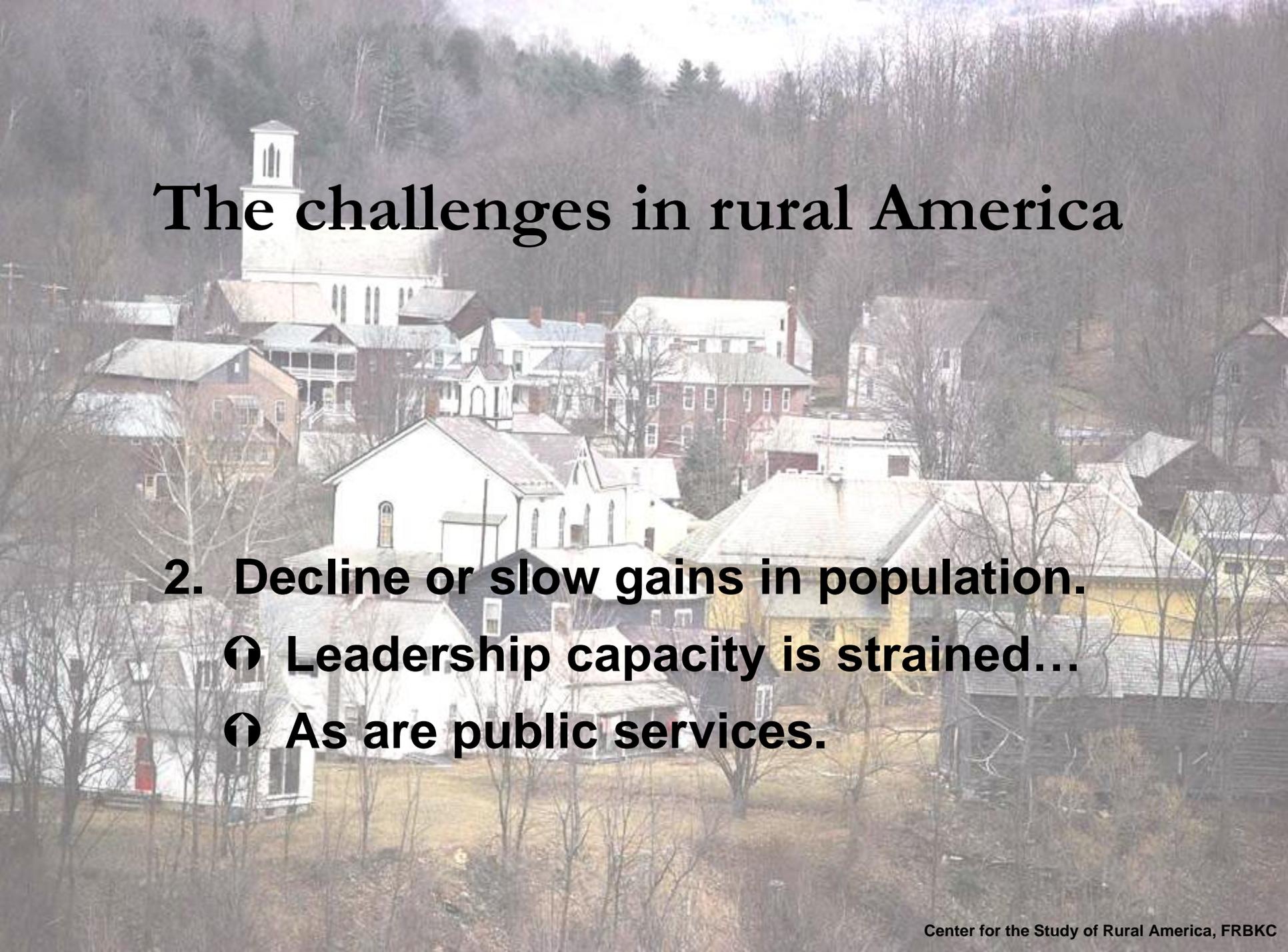


Employment Growth, 1990-99

- Metro
- Low growth
- High growth

Source: BEA

Center for the Study of Rural America, FRBKC

An aerial photograph of a small, rural town built on a hillside. The town features a prominent white church with a tall steeple in the upper left. Various houses and buildings are scattered across the slope, with some showing signs of age and wear. The surrounding landscape is hilly and wooded, with many trees without leaves, suggesting a late autumn or winter setting. The overall tone is somewhat somber and quiet.

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

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The New Frontier of Opportunity

- **An exciting range of opportunities...**
- **Moving away from commodities...**
- **But away from the comfort zone.**

A photograph of a market stall with various fruits like oranges, lemons, and apples. The stall is filled with baskets and boxes of fresh produce. The background is slightly blurred, showing more of the market environment. The lighting is bright, suggesting an outdoor setting.

The New Frontier

- **Farmaceuticals**
- **Farm-to-grocer foods**

A scientist in a white lab coat is working in a greenhouse. He is holding a plant root system and examining it with a pair of tweezers. The greenhouse is filled with various plants in trays, and there are hanging lights in the background.

The bold new world of farmaceuticals

- **A fusion of agriculture, nutrition and medicine...**
- **Where prevention overtakes the cure.**

A scientist in a white lab coat is shown in a greenhouse, carefully examining a plant. The greenhouse is filled with rows of plants in trays, and the structure is supported by a metal frame with large glass panels. The lighting is bright, and the overall atmosphere is one of focused scientific research.

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**

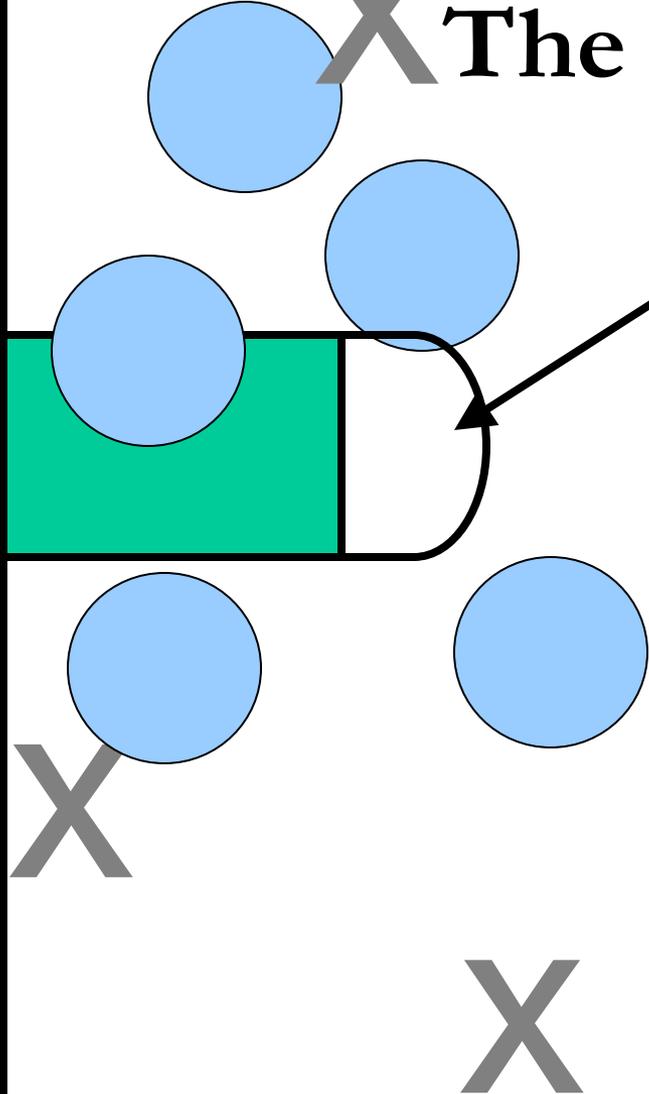
NY's "dairies to wineries" program



The Common Thread

- In the past, **independence**
- In the future, **interdependence**

X The New Game Plan



- For rural businesses.
- For rural communities.
- For rural policymakers.

A high-angle, wide shot of a charming small-town street. The street is paved with asphalt and has a white crosswalk in the foreground. On the right side, there are several multi-story brick buildings with white window frames and awnings. One building has a sign that says "LIBRARY". A yellow pedestrian crossing sign is visible on the right. On the left side, there are more trees and a sidewalk with a black street lamp. The sky is blue with scattered white clouds. The overall atmosphere is bright and sunny.

The Game Plan for rural businesses.

- **Know the marketplace.**

Hitting the product bulls-eye is a completely different game than growing commodities.

A photograph of a small town street with brick buildings, trees, and cars. The street is lined with parked cars and has a few cars driving. The buildings are multi-story and have a classic, small-town feel. There are trees and a clear blue sky with some clouds.

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?

An aerial photograph of a rural town during autumn. The scene is dominated by a large white church with a tall, thin steeple in the center. Surrounding the church are various residential buildings, including houses and a larger white building. The landscape is filled with trees in shades of green, yellow, and orange, indicating the fall season. A small stream or river flows through the upper part of the image. The overall atmosphere is peaceful and scenic.

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?

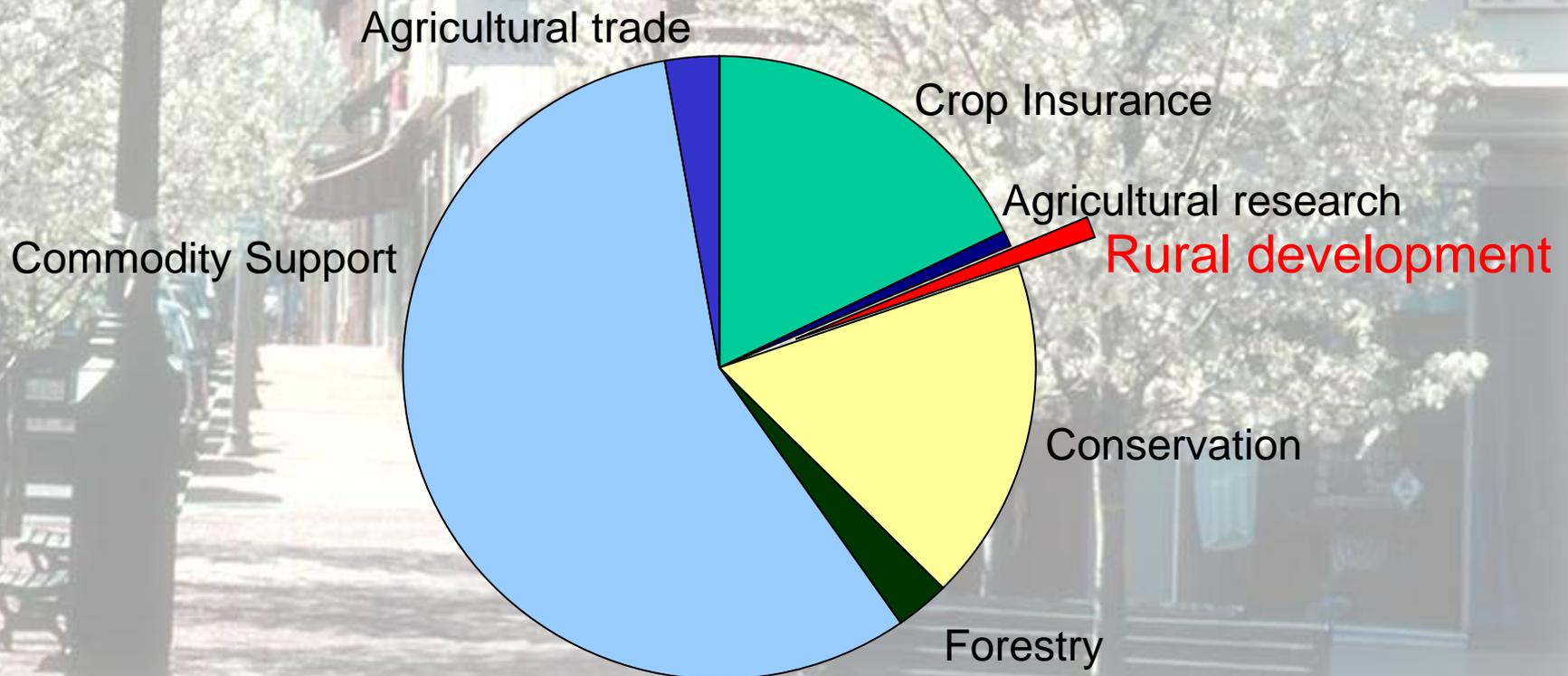
- **Most rural firms are small**
- **Clusters or networks make small firms competitive**
- **The “coop” principle writ large**
- **A clear focus of rural development globally.**

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



A background image of a street scene. On the left, there is a tall clock tower with a large clock face. The street is lined with trees, some of which are in bloom with white flowers. Buildings with windows and signs are visible in the background. The overall scene is bright and sunny.

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

Kansas City, MO

May 9-10, 2002

www.kc.frb.org