

Rural Louisiana

A quarterly publication of the Louisiana Tech Rural Development Center

Volume 5, No. 1, Fall 2010

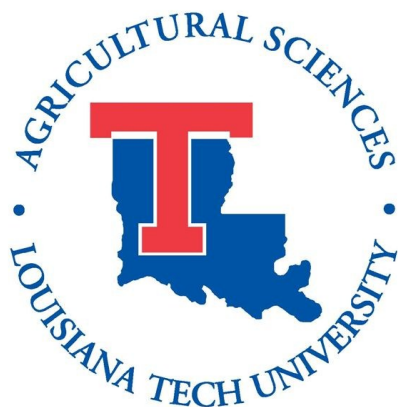
Editor:

Aaron K. Lusby
Director, Asst. Professor

Welcome to the Fall 2010 issue of Rural Louisiana. The Louisiana Tech Rural Development Center strives to serve as a linkage between the research and expertise at Louisiana Tech University and rural communities with the overall goal of improving the quality of life in Louisiana's rural areas. To bolster the connection between Louisiana Tech and communities, the Center has a new website, on which you can find information about the Center's current projects, information on Louisiana's workforce development programs, and grant opportunities for communities. Another outlet for connecting communities with the University is through this newsletter, which will feature research and outreach efforts of faculty and staff at Louisiana Tech.

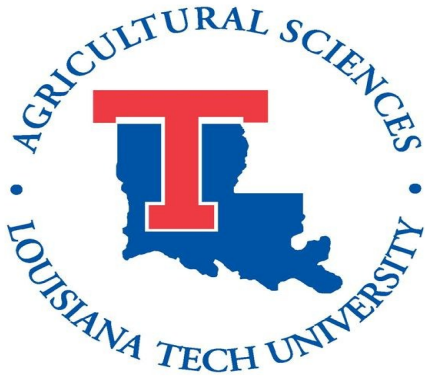
In this issue, Center director Dr. Aaron Lusby writes about the relationship between rural development policy and the agriculture industry.

For more information about the Center, please contact Dr. Lusby at the number below or visit the Center's website.



Louisiana Tech Rural Development Center
Louisiana Tech University
P.O. Box 10198
Ruston, LA 71272
Phone: 318-257-2451
www.latech.edu/rural_development

The Rural Economy and Agriculture



In April 2010, President Obama’s Council of Economic Advisors released a report entitled “Strengthening the Rural Economy.” This report detailed the Obama administration’s agenda for rural America, including new goals for the United States Department of Agriculture, infrastructure, education and health care, Farm Bill reform and clean energy. This article examines the administration’s policies and attempts to put it in a perspective that illustrates where agriculture and rural America are linked.

Farm versus Rural

Many times, the words “farm” and “rural” are used interchangeably, with the implication that rural communities and farm communities are one and the same, inextricably linked. For some communities, this may be true; however, the geographic distribution of America’s rural population and economic shifts in the agricultural industry have altered the relationship between the agriculture industry and the rural economy. It is not universally true that “farm” and “rural” are the same.

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Since the early 20th Century, the size of production agriculture’s role in the national economy has lessened. Employment in production agriculture represents only two percent of total US employment, and production agriculture makes up less than one percent of US gross domestic product (the dollar value of output in the US economy) (Cramer, Jensen and Southgate, 2005). This relative proportion is due in part to an increase in agricultural productivity (mechanized farm implements, advances in fertilization and propagation techniques have increased output with a decreased need for labor), and it is also due to the distinction between “production” agriculture and “agricultural business.” Agricultural Business includes storage, processing and transportation/distribution of farm commodities and inputs. These marketing functions are classified as industries separate from agriculture, though they are involved in getting farm commodities from the farm gate into the hands of the final consumer, in a form that the final consumer desires (Cramer, Jensen and Southgate, 2005).

As production agriculture’s role in the national economy’s structure has changed, so has its role in rural areas of the United States. In 1950, 40% of America’s rural population lived on farms, and 33% of rural workers worked in production agriculture. As of 2006, less than ten percent of rural Americans lived on farms, and 6.5% percent of rural workers worked in production agriculture. Though fewer people live on farms in rural areas, 20% of rural counties are classified by USDA as farm-dependent (greater than 20% of personal income in those counties is from production agriculture) (Dumler, 2006).

In terms of agricultural employment in rural communities, rural communities can be further classified by population per square mile. The USDA classifies counties/parishes as high density rural if the parish has more than 25 people per square mile and as low density rural if the parish has less than 25 people per square mile. In high density rural areas, usually close to metropolitan areas, six percent of employment is in production agriculture, while low density rural areas have 12 percent employment in production agriculture (Council of Economic Advisors, 2010; Daily Yonder, 2010). Farm dependent counties tend to be more remote from metro areas and lack natural and cultural amenities (Dumler, 2006).

Figure 1 shows a breakdown of north Louisiana parishes in terms of density. Ouachita Parish, classified as urban, has less than one percent of total employment in production agriculture, while Lincoln Parish, classified as high density rural, has 1.7% agriculture employment; by comparison, Bienville and Claiborne, each classified as low density rural, have 3.1% and 4.2% agriculture employment, respectively (Bureau of Economic Analysis, 2010). Once again, the proportion of workers in production agriculture may be small, but those figures don't include the extended influence of agriculture through agricultural business, which increases the importance of agriculture to a local economy. Even so, it is not always correct to assume that all rural communities are also farm communities.

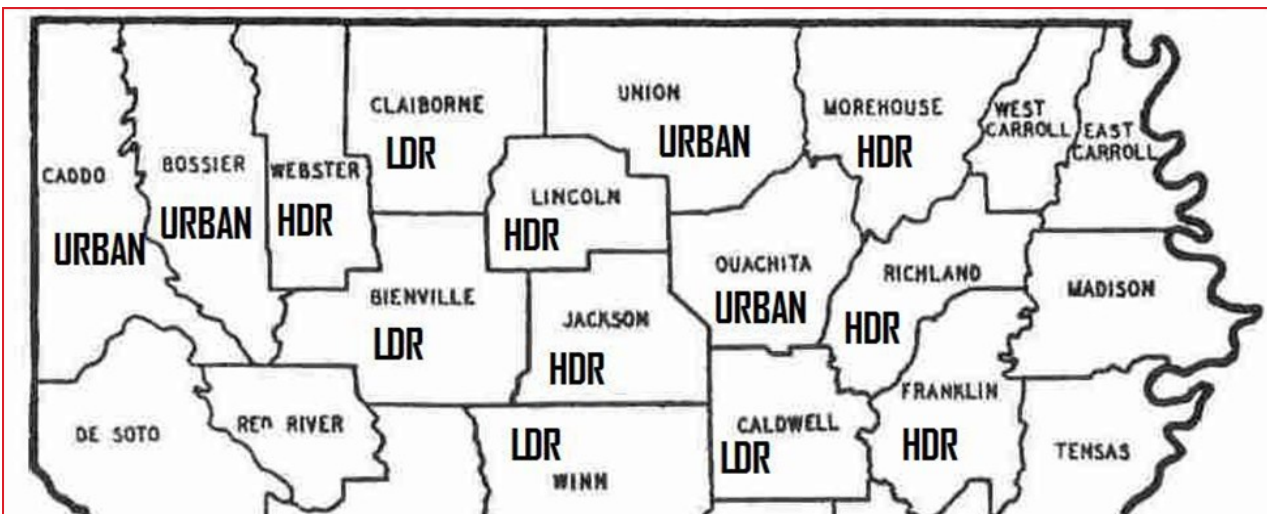


Figure 1. North Louisiana Parishes classified by population density; LDR = Low Density Rural, HDR = High Density Rural. Most Louisiana parishes are classified HDR or Urban (U.S. Census Bureau, 2010; Council on Economic Advisors, 2010)

Generally, almost all rural areas face population decline, whether farm dependent or not. Additionally, rural area populations tend to have lower income levels, higher poverty rates, lower educational attainment and less access to quality health care than their urban counterparts (Daily Yonder, 2010; Council of Economic Advisors, 2010).

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Policies for Rural Economic Development and Agriculture

Government spending on rural America comes from a variety of agencies and policies, including the US Department of Agriculture and Farm Bill legislation (most recently renewed in 2008). In 2007, the federal government spent \$390 billion on rural areas, mostly Social Security and health care spending, some for defense and other government operations. Of the \$390 billion, \$62 billion went to infrastructure, education and agriculture (\$9 billion) (Daily Yonder, 2010). The President's new directives for rural economic development include a call for better coordination between agencies that provide support and policy for rural areas – USDA, Small Business Administration, Economic Development Agency, among others – and also recognize the diversity of rural economies. Much of this new direction is aimed at small business development, entrepreneurship and innovation, but also the clean energy sector (Council of Economic Advisors, 2010). Regarding clean energy, in October 2010, USDA Secretary Tom Vilsack announced a new push to increase bio-fuels investment as a means of spurring economic growth in rural areas (USDA 2010).

Additionally, US international trade policy and US farm policy are linked. US agricultural exports make up almost 25% of farm income. The goal of expanding US access to foreign agricultural markets is hampered by elements of US farm policy such as crop subsidies and producer income payments. Many foreign countries see these programs as sources of world market distortion and unfair competitive advantage for US producers; accordingly, countries like India and other developing nations limit US market access unless the US reforms its farm programs. World Trade Organization talks have ended without resolution to such disputes (Flinchbaugh, Knutson and Penn, 2006).

In the report from the President's Council of Economic Advisors, the new policies for rural economic development more specifically include strengthening infrastructure (roads, bridges, water projects and expansion of broadband internet), and closing the gaps in educational attainment and quality of health care between rural residents and their urban counterparts. Additionally, the administration has also changed the direction of USDA's policies to emphasize food safety, local and regional food systems, climate change, bio-energy, and childhood obesity. These new directives are in addition to the more traditional USDA duties of monitoring the competitive practices of meat packers and commodity processors and also improving the access to international markets for US agricultural products. USDA will direct more research and extension funding and efforts toward addressing childhood obesity through healthier products and eating choices, while implementing changes in the 2008 farm bill regarding safe food handling of livestock products and country-of-origin labeling (USDA Economic Research Service, 2008). The push for bio-energy includes research on the use of animal waste and plant products (woody biomass, bio-feedstocks, etc.), while promotion of farmers' markets and buy local programs has a twofold potential impact: first, by buying local, more consumer dollars stay in the area economy; second, local sales of agricultural products reduces the climate footprint of the food system through reduced transportation and processing (Council of Economic Advisors, 2010). In the President's 2012 budget proposal, \$6.5 billion of USDA's \$23.9 billion discretionary budget (a \$3.2 billion cut) will go to investment in renewable and clean energy programs, with \$325 million directed toward research in the stated priority areas, including sustainable bioenergy (Office of Management and Budget, 2011).

Conclusion

Apart from bio-energy programs, it seems on the surface that many of the current administration's efforts at rural economic development will not benefit agriculture; instead, they focus on infrastructure, internet access and small business development. However, these policies have an indirect impact on agriculture. Recall that agriculture's impact on the economy increases when one considers the agribusiness side of the industry; many of these agribusinesses are located in rural areas. Further, consider the following statistic – between 89 and 90 percent of farm households' income comes from off-farm opportunities (Flinchbaugh, Knutson and Penn, 2006; Dumler, 2006; Council of Economic Advisors, 2010). While many of these farms that lean so heavily on off-farm opportunities fall into the category of rural-lifestyle hobby farms or tax write-offs (Flinchbaugh, Knutson and Penn; Dumler), other farms do need off-farm income sources to support their operations. Rural economic development policies that support infrastructure (including internet access), entrepreneurship, and small business development will create and enhance these off-farm opportunities that support US production agriculture.

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Dr. Lusby is Assistant Professor of Agricultural Business and Director of the Louisiana Tech Rural Development Center.