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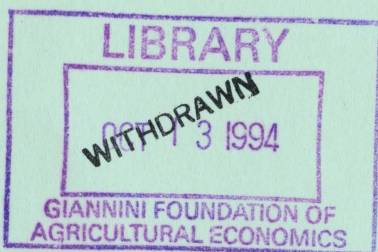
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AFPC POLICY ISSUES PAPER

AGRICULTURE'S ROLE IN A NEW RURAL COALITION

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Department of Agricultural Economics
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Agriculture's Role in a New Rural Coalition

By Dennis U. Fisher

ABSTRACT: Many rural areas in the United States are in serious trouble as they experience decline over an extended period of time. Rural communities are increasingly being affected by changes in the national and world economies with little capacity to react. Selective outmigration has seriously reduced the size of the leadership pool. The remaining community and business leaders find themselves in a policy environment that is hostile or at best not helpful as they attempt to adjust to and/or take advantage of changing conditions. A key reason for this policy environment is the lack of any voice, other than production agriculture, speaking for rural communities. Although it is waning, the strength of the agricultural voice has repressed formation of any broad-based coalition that could speak to the wide variety of issues facing rural areas. To develop a supportive policy, however, a broad-based coalition must be formed. The very groups that have unwittingly preempted the voice of rural communities - agribusiness firms and farm organizations - may be in the strongest position to develop this coalition. This endeavor could be in the best interest of the agricultural establishment. Not all rural communities will survive, but they all should have a policy environment that will help them try.

Who speaks for rural America? Where is the voice of our rural communities? It would seem that the stress of economic restructuring, selective outmigration, loss of rural hospitals, and closure of rural schools would generate a desperate call for help. But no such cry has been forthcoming. Other than requests from agriculture, no clear and distinct voices are being heard. This lack of an effective voice for rural areas is clearly demonstrated by William Nagle's comments: "Rural development policy does indeed lack a broad constituency. The proof is in that thundering silence that greeted the 1985 abolishment of USDA's Office of Rural

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Development Policy and more importantly the curtailment or abolishment of Federal rural development programs."¹

James Bonnen describes the process by which rural areas have effectively lost their voices during the agrarian transformation. He argues that the commodity interests, general farm organizations, and agribusiness firms in partnership with Congress and the executive branch contributed to this demise and continue to block the formation of effective rural coalitions.

"What happened in the agrarian transformation was a deinstitutionalization of rural America, an erosion of the base of the human and institutional resources of communities. It did not just undermine the population base for small town businesses and for schools. It first focused power in farm organizations and interest groups and then, with the decline of the agrarian sector, left behind rural communities whose basic institutions were underdeveloped and weak. No empowered rural community political institutions or interest groups developed in the agrarian transformation. . . .Commodity interest groups and their contentious partners in agribusiness and the general farm organizations have dominated what passes for rural policy since the Great Depression. . . .Agricultural interest groups have preempted the rural political domain and continue to dominate it. The executive branch and the Congress have joined in close partnership with these agricultural interests to manage the agrarian policies since the 1930s. This has institutionalized an agrarian voice for rural America that effectively excludes rural community interests."²

While these conclusions are unsettling, agricultural interests appear to have contributed unwittingly to the decline of the rural voice and their strength continues to inhibit formation of

a broad-based rural coalition. Is it possible that these same agricultural interests could orchestrate formation of a rural coalition? In this paper I will argue that the agricultural establishment is in the strongest position to create this coalition, that pursuing this endeavor would be in their best interest, and that a broad-based coalition may be the only option - or at least the best option - for preserving and possibly enhancing agriculture's political influence.

We will be addressing three questions. Is a rural coalition essential? Why should the agricultural establishment attempt to create a rural coalition? Will a rural coalition hold together and get the job done?

Is a Rural Coalition Essential?

Without policy changes rural areas will probably continue to decline or at least be severely hampered in their ability to adjust to changing conditions. A rural coalition is essential to stimulating the needed policy changes.

Rural Economic Decline

The economic stresses on America's rural areas are well documented.³ The migration of rural people to urban areas is but one indication of the lack of economic opportunities in rural areas. This migration has continued over the past 50 years with a short reversal in the 1970s. The rate of net migration between 1986 and 1987 was greater than occurred during the decades of the 1950s or 60s.⁴ During the first part of the 1990s the net migration out of rural areas fell to just over 100,000 people annually. But this masks an actual migration of 1.7 to 1.8 million people into some rural areas and 1.8 to 1.9 million people out of other areas. Therefore, some rural areas, particularly in the Great Plains and Midwest, continue to experience large

outmigration.⁵ This is not to say that all rural communities are in a state of decline. Urban fringe communities, areas dependent on tourism and retirement destination, and communities that have diversified their economies, have fared better than the remainder of rural America. Of those rural areas experiencing stress, not all will survive, but all should be given the chance to try. The challenges are certainly great enough to warrant formation of a rural coalition.

Hostile Policy Environment

The current policy environment is hostile toward rural areas. For example, many challenges yield themselves to single community solutions in urban areas but require multicomunity approaches when faced by rural areas. Solid waste disposal, health care and education are critical examples. Unfortunately, government programs are normally designed to be delivered through single government units, and the solutions usually involve consolidation. Little attention is given to alternative solutions that will preserve community identity.⁶

To add to this dilemma, rural interests rarely receive attention when policy changes are being considered. Robert Greenstein, director of the Center on Budget and Policy Priorities, indicated that he was not aware of any consideration of the impact on rural areas during Congressional or administrative discussions of welfare reform.⁷ With the exception of farm policies, policies impacting rural areas are generally discussed in terms of their impact on metropolitan areas, and little or no attention is given to their affect on rural residents.

Not only are rural interests not considered by government policy makers, but the institutional capacity for such an examination also is a rare commodity, particularly at the state level. According to Kenneth Fern of the Council of State Governments, "Only five full standing committees now exist in our ninety-nine state legislative chambers that bear the name `Rural

Resources' or 'Rural Development' as a part of their officially assigned policy making purview, and two of these five committees are in a single state."⁸ At both the state and federal levels, government is organized to ignore rural interests.

Are the Trends Reversible?

Are the negative trends impacting rural America reversible? Are the forces fueling rural decline deeply seated within the structural changes occurring in the national and world economies? If the answer is yes, then a rural coalition, even if effective in changing policy, would have minimal impact. Many of the forces impacting rural America are national and international in origin and certainly beyond local control. However, adapting to and working with those forces is essential for survival of many rural areas.

There is no definitive research on the number and location of rural areas, or urban areas for that matter, that will fair well in the face of the changing world economy. However, some changes in technology make participation in the world economy possible for areas previously excluded. For example the information age has made locational considerations for some businesses (eg., computer-based collection companies and mail order firms) less important than in the past. Rural communities will need the necessary infrastructure to take advantage of this emerging technology.

In general, rural areas need a policy environment that will enhance rather than frustrate their efforts to work with their changing world. The ability to make the necessary adjustments will depend upon the ingenuity of rural people and their leaders working within a policy environment that is supportive. Some will be able to make the necessary adjustments.

Will the Costs of the Policy Changes Be Prohibitive?

During this time of federal budget deficits and very tight state and local budgets, expensive policy changes would not be considered even if a coalition were formed. In some cases the expense of a policy change would be too prohibitive, but many changes can be achieved at little expense. An example of a high-cost change involves equalizing federal reimbursement between rural and urban hospitals and doctors for the delivery of comparable services. According to the Office of Technology Assessment, community and migrant health centers receive 15 percent less federal funds per patient served than their urban counterparts even though the rural centers are more dependent upon patients backed by federal funds.⁹ In a 1988 presentation, Marsha Kilgore, who was then president of the Board of Directors of the National Rural Health Association, stated, "Our federal government under the Medicare program reimburses rural hospitals at about 40 percent less than urban hospitals for the same level of service."¹⁰ While one could argue about the comparability of service levels, changing this disparity would obviously be costly.

Creating a positive environment for multicomunity cooperation is an example of a policy change that would involve little cost. As indicated above, many rural issues lend themselves better to multicomunity solutions than single community approaches. Because most programs are designed to be delivered through single government entities, leaders attempting multicomunity approaches face substantial red tape as well as the normal resistance to working cooperatively with other communities. Changing the policy environment to remove the red tape or to provide incentives for or give preference to multicomunity approaches would add little cost to existing programs and should improve program effectiveness.¹¹ Some changes would be

expensive, possibly prohibitively so, but others would have little or no cost and could provide substantial assistance to rural America.

Is a rural coalition essential? Yes, if interests in addition to farm commodity programs are to receive much consideration. Are the trends impacting rural areas irreversible? Some are but rural leaders will be able to capture opportunities and make necessary adjustments better within a positive policy environment.

Why Agribusiness Firms and Farm Organizations?

Declining rural communities directly and negatively impact agribusiness firms and the membership of farm organizations. For example deteriorating rural economies result in decreasing asset values for agribusiness firms, their employees, and the members of farm organizations living in rural America. As sales of goods and services decline, agribusiness firms face declining markets for their end products and less competitive markets for purchasing inputs. This will ultimately require developing alternative markets, possibly international markets, as the conditions for buying and selling in rural America deteriorate. The reasons fall into four categories.

Return a Portion

Agribusiness firms and the members of farm organizations have made their profits and income from trade in rural areas and therefore should put something back. This reason may or may not be strong enough to motivate participation in the rural policy process, but it will no doubt be used extensively once the decision to participate has been made.

Membership and Employees Need Help

The membership of farm organizations and the employees of agribusiness firms located in rural areas are suffering directly from declining rural communities and economies. The loss of jobs, income, and public and private goods and services is impacting the quality of life experienced by rural residents. The values of assets, both business and personal, are deteriorating. The impacts are direct, personal and immediate.

A significant proportion of the employment of agribusiness firms is located in nonmetropolitan counties: 48 percent for input industries, 36 percent for processing and marketing industries, and 18 percent for wholesale and retail trade of agricultural products.¹²

Farm households are heavily dependent upon off-farm income according to Petrulis, Carlin and Francis. "Farm households increasingly depend on off-farm employment to improve the level and stability of total household income. Income from off-farm jobs, investments, and transfers accounted for over half of all U.S. farm household income over the 1984-88 period. Low farm business income no longer necessarily correlates with low total farm household income."¹³

Fisher and Knutson argue that farmers have a great stake in rural development. "Farmers have the greatest stake in rural development, but farm organizations have not recognized the importance of rural development policy to their constituency. Farm organizations have every reason to step into a leadership position on rural development policy. These organizations could join forces with the agribusiness sector since both have an important stake in rural issues."¹⁴

Swanson argues that rural development is the key to survival of the family farm. "Indeed, strengthening the rural community appears to be the best strategy for preserving the family-type farm." The connection is off-farm employment.¹⁵

Markets Deteriorate

As rural communities decline the labor force deteriorates through selective outmigration. Those with the best opportunities elsewhere leave. That is a higher proportion of those individuals of prime working age and the best educated leave the area for better employment opportunities. This outmigration damages not only the labor force, but also the pool of individuals available for public leadership positions and for ownership and management of private enterprises. Maintaining a competitive agriculture becomes increasingly difficult. Firms that become less competitive are a more expensive source of raw materials and a poorer market for farm inputs. Consequently, agribusiness firms are forced to develop new markets, possibly international markets, to replace those being lost.

This argument, while very powerful, suffers from being long-run in impact. The changes indicated above will indeed happen and they have been occurring, but they may not catch business leaders' attention. Barring a drastic change in the rate of these trends, many rural markets may be lost before corrective action is taken.

Enhanced Political Clout

The loss of political clout for the agricultural sector has been occurring over a long period of time as America has become urbanized. The process of losing Congressional committee chairmanships and representation has been extensively discussed. This is not surprising. The

number of people living on farms continued to drop during the 1980s and included less than 2 percent of the U.S. population in 1990.¹⁶ However, about 27 percent of the U.S. population resides in rural areas. A coalition representing over one-fourth of the American population should generate significantly more influence than one representing less than 2 percent.

Forces other than population loss are eroding farm political clout. Other groups are beginning to reach into areas that farmers previously considered to be their exclusive domain. The following statement was signed by the presidents of the American Society for the Prevention of Cruelty to Animals, The Humane Society of the United States, and the Massachusetts Society for the Prevention of Cruelty to Animals and endorsed by 104 of several thousand animal protection groups. "We shall work together to secure legislation that requires the basic behavioral and physical needs of farm animals to assure the following minimum standards: the freedom to be able to stand up, lie down, extend their limbs or spread their wings and make other normal posture adjustments; an adequate supply of nutritious food; adequate veterinary care, and an environment that suits their physical and behavioral requirements."¹⁷

Farm organizations and agribusiness firms may want to begin forming a broad rural coalition that examines broad interests to forestall erosion of their own influence due to population loss and/or encroachment by other special interest groups. A broad-based rural coalition could result in increased political influence for the agricultural establishment. Of course political objectives would have to be modified to accommodate the interests of other members.

When should such an effort start? It should start as soon as possible to be the most helpful to the leadership of rural areas. The agricultural establishment might have an even more compelling reason for starting soon if it considers the benefits of forming a coalition while the

agricultural influence is still strong enough to contribute to the effort. What agribusiness firms and farm organizations bring to this process is an organized but limited focus coalition that has access to the rural part of the policy process. As that influence diminishes, the agricultural establishment will have less to contribute to the process.

Will a Broad-Based Rural Coalition Work?

What are the necessary and sufficient conditions for coalitions to form? Specific and direct benefits to an identifiable group are a strong incentive.

A Lesson From Agriculture

A lesson from the formation of the farm organizations is instructive. Prior to the 1930s agricultural organizations were loose knit organizations formed for social and professional purposes, but they had no strong political influence. This changed quickly with specific commodity legislation. James Bonnen credits the Agricultural Adjustment Acts of 1933 and 1938 with providing sufficient motivation for forming permanent commodity interest groups. "When you create legislation that provides specific benefits to limited groups, such as farmers or only wheat farmers, and when those selective goods substantially affect the welfare of that group, you also have created a sufficient incentive for organizing permanent (i.e., stable) interest groups."¹⁸

Other rural interest groups have not enjoyed such incentives. However, the rural health care delivery people have experienced a major negative incentive that seems to have spurred their organizational efforts and political influence. The lower reimbursement rates under the Medicare and Medicaid programs have provided a stick rather than a carrot, but the result seems to be similar. The rural education people are not as well organized, but no legislation or government

program has impacted them as directly or as negatively as those recently affecting rural health care professionals.

Single Issue or Multiple Issue Coalition?

Without legislation that precipitates organization, should a rural coalition be organized to address all issues or to focus on specific single issues? Single issue areas like rural health care are the most likely to produce specific legislation that will impact an identifiable group with specific benefits. Consequently, a coalition could be organized much easier around a single issue area. Unfortunately, a coalition formed around a single issue would not be equipped to deal with the problems facing rural communities. Fixing part of a community's problem may do little to improve conditions. Organizing around the variety of issues facing rural America is more likely to generate effective legislative solutions. However, those solutions would impact segments of the coalition differently, possibly having divisive rather than cohesive effects. If history is a valid predictor of the future, the single issue approach would probably be the easiest to organize. Without a broad coalition, however, the issues critical to rural America probably will not be addressed and single issue groups will continue to address Congressional Committees predominated by urban interests.

The Strategic Position of Agribusiness Firms and Farm Organizations

Is there a third approach with a high probability of success in terms of both forming a coalition and addressing the spread of issues facing rural America? Agribusiness firms and farm organizations are in a position to take a better approach. Fisher and Knutson argue that agribusiness firms and farm organizations own the rural part of the policy process in the United

States.¹⁹ Most of the policy process is rightfully and understandably urban because most of the U.S. population is urban. The only part that is rural are those policies considered by the Agriculture Committees of Congress. This is not to say that only those pieces of legislation passing through the Agricultural Committees impact rural areas but that the Agriculture Committees are the only ones with predominantly rural constituencies. The farm organizations and agribusiness firms are the two groups that influence these committees. Any timely impact on rural policy will require participation of groups already franchised. Keeping rural issues on the policy agenda will require relatively prompt action.

Haven't agribusiness firms and farm organizations done enough by locating in rural areas and putting their purchasing dollars and payrolls in those areas? While these firms and organizations have undoubtedly made a major contribution to rural America, this paper identifies some compelling reasons why they might want to extend additional effort to ensure that the problems of the nation's rural areas are addressed. These organizations appear to be the only ones positioned to respond in a timely manner to the need for a rural voice that can be heard by policymakers.

Will Such a Coalition Be Successful?

Will a broad-based rural coalition be successful? The challenges will be fragmentation of focus and conflicting goals. Congressional staffs focus attention on those issues that relate directly to their areas of responsibility. Consequently, those attempting to influence policy may not be heard when their topics are not directly related to the staff person's area. The congressional staff member may view the issue as being under the purview of another committee. Not surprisingly, William Browne's research findings indicate that lobbyists were best able to

influence the process "where their concerns fit the decisions being deliberated."²⁰ Unfortunately, rural issues often do not fit well into any single committee or single piece of legislation. The collection of messages coming from the coalition could be tailored to ameliorate this problem.

A broad coalition, by its very nature, will encompass groups with conflicting goals. This could be the most serious challenge of all. Whether or not such a coalition will hold together depends upon whether members perceive their efforts as more effective with the coalition than without it. Will the political influence of component members be enhanced sufficiently by the coalition to compensate for the cost of compromise? Good question. If a rural coalition is formed, the nation may get an answer.

What happens if a broad-based rural coalition is not formed? One can only speculate. Such a coalition offers some hope of reversing the present trend and strengthening agricultural influence. Rural areas will probably continue to experience a generally hostile policy environment with the exception of selected issues. Forming a coalition would be preferable to finding out what happens without one.

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