

RURAL RESOURCE DEVELOPMENT

An Address by

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The topic assigned me was "Rural Resource Development." This is the next best thing to carte blanche. What it means is as uncertain to me as it is to you. But, uncertain though I may be, I shall of course proceed. My attitude, to use a rural analogy, is that of the hen about to land on water--skeptical, but hoping for the best.

I want this morning to examine a bit of our conventional wisdom-- one of our common beliefs, a belief which is, in my opinion, a curious mixture of fact and fancy. I want to examine the widely-held belief that agriculture is changing in such a way that the small town, long dependent on farms and farmers, must die.

As I have already hinted, the validity of this belief seems something less than self-evident to me. To be sure, if we persist in believing, then most assuredly the small town will die. It will die, however, not of economic necessity, but of belief. For beliefs can be self-fulfilling. We have generations of historians to attest that error believed in is truth in effect.

I have thus come here this morning with a purpose--to make it harder for us to believe what may not be true. To this end, I shall examine, first, the changes in agriculture which would seem to be of greatest consequence for the rural community and, second, whether in fact these changes necessarily portend the death of the small town.

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Thinking about agriculture has perhaps been more significantly inhibited by sociological and philosophical concepts than any other industry.

Belief in the family farm as a cornerstone of our society is common enough, but not necessarily desirable. It certainly would not be helpful if it limited farm size and, thereby, economic growth. This verse, three centuries old, summarizes this kind of belief:

"Happy the man whose wish and care
A few paternal acres bound:
Content to live and breathe his native air
On his own ground."

This may have been pleasing to the poet, and it may have acceptability among some social planners, but I suspect there are very few family farmers who are not driven by the same desires to improve their economic lot as drive the rest of us. Given a choice as an economic man, the farmer will expand as enthusiastically as other firms of modern industry, even though he may gloss it over with such conventional expressions as: "I don't really want to expand. All I want is the place next to me to round out my farm."

In spite of well-meaning philosophic concepts, then, the economic reality of agriculture, whether we like it or not, has led to a marked decline in the number of farms. And for those who don't care for economic logic, we can only point to the well-known statistics. There are fewer farms today than there were yesterday and there will undoubtedly be fewer tomorrow. This loss of population does adversely affect some businesses in the small towns, particularly those businesses dependent on numbers of people and those related to the personal as opposed to business spending of farmers.

While we can admit that farm numbers are declining, we must be careful as to how far we push the data in reaching conclusions.

Neutral projections can be quite dangerous--for the logical extension of the decline in farm units is the point zero. But obviously this is an

absurdity. By the same token, it does not necessarily follow that the agricultural population will continue to decline everywhere. On the contrary, it can be argued that in many geographic areas the largest part of the agricultural adjustment may already have taken place. Farm numbers are concentrating in specific acreage size groups, meaning that while small farms are disappearing, the number of large farms tends to remain fairly constant. Moreover, with higher land prices, it is becoming a more sensible course to employ additional resources on a given size of farm rather than indefinitely expanding its acreage. This does not mean that agricultural units will not continue to decline in number, but simply to suggest that the rate of change in farm numbers will continue as in the past is not statistically valid.

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When prophesying about the small town, all too much emphasis is put on farm numbers per se. What about the other side of the farm adjustment process--the gains made in terms of income through greater efficiency and larger farms? In aggregate terms, cash farm incomes are growing and the future holds a continuation in these gains. Looking at the distribution of farms among the economic classes, the data indicate that there has been a significant shift in the proportion of farms achieving the status of large commercial operations. Thus, while farm numbers have declined, the flow of funds in agriculture has increased and all evidence points to an even greater flow in the future.

Another significant change that has occurred in farming is the shift toward the greater use of nonfarm produced inputs, particularly the greater use of machinery and fertilizers--the things that are the visible result of the technological revolution in agriculture. Cash farm expenditures for these items now account for as much as 80 per cent of cash farm income. So, not

only are farm incomes increasing, but a greater proportion of that income flows through the rural community and the agricultural service industries.

There have been tremendous changes occurring in the technology of agriculture, and the experts say that this is only the beginning. In the aggregate, the increasing capital demands and level of cash inputs required by agriculture indicate a major change taking place throughout the industries allied to farming. Unfortunately, the impact on selected portions of the industry has not been adequately researched and this, in turn, has not been translated into the local or regional dimension. We do know, however, that the farm supply and the food processing and distribution industries have undergone large expansions and that the number of people employed in these industries has partially offset some of the decline in farm population.

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Let's speculate for a moment on the effect these changes have had on the farmer himself. We referred to the farmer as an economic man and no small effort has been devoted by organizations such as our colleges and the ABA to improving the farmer's management skills and make him better able to cope with his changing world. We recognize that if he is to survive he must develop a high degree of business sophistication. And yet, the conventional wisdom still implies that our sophisticated, modern farmer-businessman will continue to combine his wife's trip to the hairdresser and the purchase of a \$10,000 tractor. This is hard to go along with. Certainly the farmer is highly mobile and will range far and wide in seeking out the best buys. But so is the farmer's wife, and I would expect to see a greater separation in farm family life and farm business operations.

The important issue would seem to be this: Is the economical farmer going to purchase farm supplies on the basis of community and family shopping or is he going to purchase on the basis of some combination of price, quality, and service? I would place my bet on the latter and would argue quite strongly that the community per se is of secondary importance.

The farmer is also becoming a more demanding individual as his operation grows in size. Moreover, as farming techniques change, more and more of the farm service business is brought to the farm. The farmer does not have to go to town as frequently as he once did. Evidence of this is readily seen in the number of bulk feed and fertilizer trucks on the road. As the slogan goes, "service is as near as your telephone," and I expect that the farmer will in the future take even greater advantage of it than he is presently, and will pay increasingly less attention to the particular community from which the service comes--so long as the price, quality, and service are right.

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Now it is argued that the changes in agriculture will lead to the death of the rural town. Is this necessarily true? The conventional wisdom says that the small town is losing its function, that it can no longer service agriculture and will therefore wither away. I am not at all sure that this generalization is true. Communities frequently adapt their functions to changing needs and the evidence of changes in farming does not preclude the smaller towns from actively participating in the agricultural economy.

There are cases where the concept of community function does lead to declining economic activity. For example, the gold towns in the west, some of the iron range communities, even some of the towns of the homesteader days

reflect the loss of community function as the natural resource was depleted or the industry moved away. Small communities in sparsely settled regions probably are affected as the general population declines, but the credibility of the present use of the functional concept and the assumed linkage with the fortunes of agriculture can be challenged. Industries do emerge in small towns. Sometimes they start there. Think of Melroe Manufacturing in Gwinner, North Dakota, and the industrial complexes, junior size, developing in the larger rural communities such as Red Wing and St. Cloud, where highly sophisticated industries have developed from modest beginnings. The presence of underemployed agricultural labor, availability of another type of natural resource, the amenities of a small town, are arguments favoring industrial growth as an adjunct to the agricultural base. I don't think that the state of research, in this district at least, is such as to support a generalization that the small town must inevitably become less important simply because of a change occurring in economic function within its territory.

Even when we turn to the very small towns, those with less than 2,000 people, we must be careful of generalizations. Here again, we are hampered by the limitations of available research. Aggregate numbers certainly indicate urbanization of the United States. I'm not sure that this means the death of the very small town, at least in the Ninth Federal Reserve District. There are now a number of these towns of less than 2,000 souls in the district that are very healthy indeed. Our Research Department in the Bank prepared data for two of our states, Minnesota and North Dakota, comparing population in 1950 with population in 1960 for small towns with a population of between 500 and 2,500. It was based on a random sample, but it indicated very definitely that the majority of towns showed an increase in population. Certainly the sample may include towns with the skewed age distribution at the older end which is characteristic of areas with high out-migration at the younger ages; my point is

simply that a conclusion there has been an absolute decline in the populations of these towns does not appear to be so.

Many of the judgments on rural communities rest primarily on empirical observations of past trends and conjecture over economic conditions that do not hold in the real world. The number and complexities of rural communities make significant research difficult, and it follows that it is easier to dismiss the problems. Unfortunately, the so-called windshield research effort, based upon visual observation as you drive up Main Street, is often used as the basis for judgment about the progress, or lack of it, in the community, which serious inquiry on the same Main Street would dispel. The success of a business or the process of adjustment to changes in a trade area cannot always be judged by exterior appearances.

There are many things aside from agriculture going for the small town and, paradoxically, one of them is the emergence of large metropolitan centers. People will commute a long way for a job that still permits them to enjoy the amenities of a small town. The family expenditures, the use of social services still take place, to a large measure, where they live rather than where they work. The study report entitled "Population Mobility in the Upper Midwest", done by the Upper Midwest Research and Development Council, makes significant points in this connection. To quote this report:

"The lengthening work trip is a price we pay for more space, and many Americans apparently believe it is worth it.....About 40 per cent of the region's small towns lie within 50 miles of an urban area having 10,000 population or more. With a future extension of commutation ranges around growing cities, additional areas which have been stagnant or declining will have improved chances for survival and growth."

While there are many areas in this district where agriculture is the backbone of the local community, there are those, and many of them, that are shifting to other industrial bases. The resurgence of mining in northern Minnesota, the developing and expanding of timber and pulp products in northern

Minnesota, northern Wisconsin, the Upper Peninsula of Michigan, and western Montana, the development of large areas as recreational complexes that may incorporate three or four small towns within a single development pattern, are all producing new sources of economic growth.

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Let us not forget, however, that agriculture is and will be the primary resource base for a large number of our small towns. And I would suggest that given agriculture's potential economic structure, there is little reason to search for alternative sources for community growth. To make my point clearer, let me re-emphasize these points:

1. Technological changes on the farm have made the farmer much more dependent on the agricultural service industries which will result in a greater flow of funds through rural communities.
2. Larger farm operations have allowed the farmer to become more demanding in his dealings with the service industries. This has led to a trend where instead of the farmer going to the community to transact business, the farm services (bulk feed, fertilizer, etc.) are being brought to the farm. Thus, it is doubtful if the farmer is concerned over which community is delivering the service.
3. The size of the community should be of no significance to farm-oriented services.
4. Many of the services a farm requires are not compatible with the process of urbanization in larger communities.

For example, grain elevators, farm machinery holding points, and bulk fertilizer plants require a considerable amount of space for equipment and farm truck movement.

These are the points which suggest to me that the small town can not only survive but have a prosperous future. Here, in the agricultural service sector, is the place to concentrate our efforts. Meaningful industrial development for the small town does not necessarily mean new industries, but includes and puts emphasis on expansion and improvement of the facilities designed to meet the needs of agriculture.

But mark this well, the possibility for a viable small town does not mean that success is some kind of divine right. While I argue that the small town can have a bright future, I do not deny the fact that some small towns will die. Growth is not easy. Competition for the farm dollar will be sharp. It is indeed up to the small town itself to meet the opportunities and the challenges.

The answer, I think, lies in an informed local leadership--leadership that refuses to believe that the small town is doomed but instead challenges the generalizations so often based upon aggregate and incomplete knowledge. This is not to belittle the importance of past research studies, but simply to state that their biggest weakness is that they are not always amenable to action programs and frequently underrate the impact of a community's desire not to die. Nothing will ever take the place of the locally directed efforts designed to zero in on the problems of a community, regardless of size.

Traditionally, community leadership has come from the banking sector, because banking is still the nerve center of rural America. No matter how

small the town in which the bank is located, there exists, I believe, within the trade area of that bank, a sufficient body of talent and the qualities of motivation and interest which are just as vigorous as they were years ago when the town itself was established. To be effective, however, talent and will have to be drawn together. The total rural community must identify itself and recognize its strengths and weaknesses. It can be competitive. It must believe that trade areas are formed by competition and not by a geographer's pencil. Its death is not inevitable but it can commit suicide.

For this effort, you, as bankers, because of the nature of your business, are or should be well qualified to lead. After all, your economic survival is dependent on the life of your community. Whether the small town lives or dies is, in large part, up to you. Community development is no accident, nor can there be economic growth without it.