

# **National Agricultural Research, Extension, Education and Economics (NAREEE) Advisory Board**

## **Report and Recommendations from a Focus Session on “Rural Economic and Community Development: Opportunities for USDA and Cooperative Extension” Conducted at the NAREEE Advisory Board Meeting held in Washington, D.C. on October 29-31, 2007**

### **I. Introduction**

At the October 29-31, 2007 NAREEE Advisory Board (the Board) meetings, the USDA Research, Economics and Extension (REE) mission area agencies of Cooperative State Research, Education and Extension Service (CSREES) and Economic Research Service (ERS), and the National Association of State Universities and Land Grant Colleges (NASULGC) Cooperative Extension, as well as the Regional Rural Development Centers (RRDC) updated the Board and demonstrated an on-going engagement with respect to rural development and its long-term sustainability, entrepreneurship research and extension programming, and interactions among the agencies to support rural economic development, especially in minority communities.

The Board invited representatives from the above agencies, organizations, and stakeholders, to provide input on the status of research and extension in USDA and its partners, the universities, on rural economic and community development and, specifically, on rural entrepreneurship. The Board asked the speakers to summarize the research, education and extension work on these topics that had been accomplished since the fall 2005 Board recommendations to the REE mission area. The 2005 Board report recommended:

- 1) “REE should provide leadership for a meta-analysis<sup>1</sup> of rural development interventions.”
- 2) “ERS and CSREES should provide support in a variety of forms for an integrated research extension and education activity that stimulates entrepreneurship across rural America.”
3. “Officials of the REE mission area should continue active discussion with the officials of the Rural Development mission area to build a strong research and extension agenda with rural America that would increase the ability to target investments, particularly in persistently poor areas. One important target for research and outreach is migrant field workers who have spread across the United States.”

USDA personnel identified approximately \$40 million dollars in annual investments in research, education and extension programs that directly support rural economic and community development. One could argue that almost all of USDA funding indirectly supports the rural economy, environment, and quality of life. However, this review focuses on the direct investment in research and educational activities in economic and

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<sup>1</sup> Meta-analysis is the process or technique of synthesizing research results by using various statistical methods to retrieve, select, and combine results from previous separate but related studies.)

entrepreneurship development, in both agricultural and non-agricultural rural sectors, and on opportunities for greater impact.

**II. Agency Presentations** (For more detail on presentations, see Board minutes of this meeting at <http://nareeeab.ree.usda.gov>)

Dr. Frank Boteler, CSREES, presented an overview of the research and extension programs and a new paradigm in which USDA focuses on the importance of segmented populations, with an emphasis on entrepreneurship across all sectors of rural America, the use of challenge matching grants and venture capital to grow the rural economy, and using USDA's programs to build capacity in people and places in order to create resilient communities.

Dr. Sally Maggard reviewed the diversity of CSREES projects and programs that impact rural people and places, and CSREES funding levels for such research and extension:

\$19.0M	Small Business Innovation Research (SBIR),
\$ 5.1M	National Research Initiative Research on Rural Development,
\$ 5.0M	Agricultural Prosperity of small and medium-sized farms
\$ 5.7M	Outreach for socially disadvantaged farmers and ranchers
\$ 1.9M	Rural youth development
\$ 1.3M	Regional Rural Development Centers

All of these programs are funded annually with the exception of the NRI area of Rural Development for which proposals are solicited every other year.

Dr. Mary Bohman, ERS, summarized the research on the rural economy, on entrepreneurship and creativity and impacts on rural economic growth and development. Following up on the Board's 2005 recommendations, ERS and CSREES organized a 2006 entrepreneurship conference, to identify the state of the art in research and extension programs and the needs and opportunities for new program development. The entrepreneurship conference demonstrated that considerable research and practice in entrepreneurship was underway with funding from USDA, foundations, nonprofits, and universities.

Focusing on the economic and social organization of entrepreneurship, the conference concluded that this is truly a multi-level phenomenon beginning with individuals but connecting to support networks and in some cases regional entrepreneurship and that this sector required multiple research methods from case studies to network analyses to large-scale multi-area studies. Considerable research needs remain, for example, on the legal context including credit laws, bankruptcy, the role of health insurance and the implications for public policy.

Dr. Edgar Lewis, USDA Rural Development Business and Cooperatives Program, described the 1890s entrepreneurship activity. He outlined the objectives of this \$1.5M targeted competitive grants program, to which only the 1890 Institutions may apply. The objectives include providing technical assistance for business creation in economically challenged rural communities, educational programs to develop and improve upon the professional skills of rural entrepreneurs, outreach and promotion of USDA Rural Development programs in small

communities with the greatest social need, and an opportunity to create a working partnership between USDA Rural Development and the 1890 Institutions.

This program began in 1999 with \$2M in funding but as a result of budget reductions, it is now at \$1.5M. It has funded 112 projects at just under \$15M in the last nine years. The program has demonstrated a number of successes, including the increased delivery of rural development programs, training in micro-enterprise business and e-commerce, education for youth and adults in entrepreneurship, technological training, and the creation of new businesses and cooperative development, specifically in tourism areas.

One issue is the assessment of program effectiveness, i.e., an analysis of impacts and outcomes. Performance measures have been identified but limited evaluation research has been undertaken to evaluate the full impact of this program. Dr. Lewis did note that evaluations in 1999, 2002, and 2005 by state office representatives of USDA Rural Development indicated positive success of the program. The lack of documentation on program impact on targeted rural communities, however, remains.

Dr. James Wade, representing NASULGC Cooperative Extension and its strategic planning program, distributed a brochure called “Strategic Opportunities for Cooperative Extension,” Executive Summary, October 2007. This document addresses the priority opportunities for Cooperative Extension nationally, from agricultural production to youth development. These opportunities include educating young people and their families for success in the global workforce. Cooperative Extension also is focusing on assisting communities in becoming sustainable and resilient to the uncertainties of economics, weather, health and security. Under this rubric, Cooperative Extension proposes to “improve community economic capacity through retaining and growing wealth opportunities by developing and providing tools in marketing, entrepreneurship, risk analysis and decision making for both adults and youth.”

Dr. Wade also provided a summary of gaps in programs in rural economic and community development. He made a case for significant increases in competitive research, extension and educational programming, and targeted funding designated for entrepreneurship research and extension programs. He reiterated the importance of interagency cooperation, the need for a research and education base for rural investment programs, and evaluation of the impacts of rural investment programs. He also identified the importance of a national commitment to a comprehensive rural policy.

### **III. External Stakeholders**

Charles Hassebrook, Center for Rural Affairs, emphasized the importance of developing “real strategies that work.” He called for (1) a focus on small business entrepreneurship that strengthened the non-farm self-employment of both the farmers and non-farm populations; (2) a rural enterprises program that would provide access to capital for micro-enterprises; and (3) networks of businesses to grow local economies.

Mr. Ferd Hoefner, Sustainable Agriculture Coalition, described the efforts to incorporate, within the House and the Senate versions of the 2008 Farm Bill, language for authorizations to strengthen and support programs for value added producers, rural micro-enterprises, rural

business and industry loans, the beginning farmer and rancher program, and rural entrepreneurship and enterprise facilitation. He also noted that the IFAS language now included an initiative and priority of “agricultural and rural entrepreneurship.” None of this language involves mandatory funding; it is authorization language to address the priority needs of rural communities.

#### **IV. Regional Rural Development Centers**

Dr. Bo Beaulieu, director of the Southern Rural Development Center, spoke on rural entrepreneurship and the Regional Rural Development Centers (RRDCs). A significant effort on the part of the Regional Rural Development Centers was the Kellogg funded project to create the National Coalition for Rural Entrepreneurship. In its call for proposals, the W. K. Kellogg Initiative identified 186 major organized community efforts of which at least 90 were fully qualified for funding according to the W. K. Kellogg criteria. However, Kellogg only funded six programs at \$2M each. The RRDCs, with support from Kellogg, Farm and Northwest Area Foundations held almost fifty forums across the nation, to listen to the voices of the people about their priorities and need for rural entrepreneurship, economic development and community development. He synthesized the needs and recommendations of these listening sessions as follows:

- (1) Teaching, training and technical assistance, supporting development of business skills for current and emerging entrepreneurs.
- (2) Expanding access to capital
- (3) Building networks and collaborations
- (4) Creating supportive community, state and federal policies for entrepreneurs, and
- (5) Developing virtual resource centers.

In response to this input, the Regional Rural Development Centers have been conducting research, creating new knowledge, and developing new Extension programs to provide the education, training, and technical assistance to rural entrepreneurs.

#### **V. Issues and Needs Identified**

Many research issues surfaced in discussions with speakers, such as the definition and measurement of entrepreneurs, the role of networks and community culture in supporting entrepreneurial communities, capital formation in rural areas for micro, angel or venture investments, and the role of incubators.

Speakers and discussion participants also identified extension issues, such as the leadership role that should be provided by Cooperative Extension in extending the research results to both on-farm and off-farm businesses in rural areas, the need for Extension programs on financial literacy, and how the research activities of the SBIR (\$19 million per year) can be supported by Cooperative Extension’s educational programs in business development and management, which typically have been focused on farmers and value-added farm and natural resource-based businesses.

The following needs and opportunities were also identified:

- Teaching, training and technical assistance to support the development of business skills for current and emerging rural entrepreneurs.
- Funding should be increased in research, extension and educational programming in entrepreneurship, particularly for rural areas, including small farm businesses.
- Considerable research is needed on the economic and social organization of entrepreneurship, including in the nonprofit and civic sectors.
- Cooperative Extension needs to provide more leadership in developing micro businesses as “basic” income generating businesses in rural areas.
- Cooperative Extension’s role in networking with and assisting “entrepreneurial serving agencies” needs to be explored more fully.
- Universities need a vision for rural people and places and a commitment to community engagement; research, education and extension agencies need to be committed to implementing this vision.

## **VI. Recommendations**

The NAREEE Advisory Board recommends the following:

1. The Board recommends USDA begin that a “Grand Challenge” with respect to entrepreneurship development, to expand research on factors contributing to community economic development, and to increase Extension education programming to support this initiative. If language is included in the Farm Bill, we recommend this be a priority for appropriations or reallocation of support in future years.
2. The Board also recommends a major investment in a program of Rural Entrepreneurship and Enterprise Development of \$50M annually to increase support for these rural entrepreneurship educational efforts across the nation. This initiative would provide funding of 10 awards per year at \$5.0 million to some of the 90 plus programs identified in the W.K. Kellogg Foundation initiatives as qualified to provide educational, organizational and technical assistance to rural businesses, from small farmers to value-added enterprises, to other rural services and manufacturing businesses. The Board suggests that USDA make Regional Rural Development Center activities a high priority, and it believes that the success of the Centers would justify an increase in Congressional appropriations to \$5M per Center annually. This level of funding would enable Centers to organize and harness the resources of the universities and other organizations to foster entrepreneurship.
3. The funding of the NRI Rural Development program every other year has negatively impacted the number of proposals from the research community, and reduced the opportunities for effective research and subsequent active extension programs. This and the Markets and Trade competitive grants programs are the only two NRI programs conducted biannually which indicate a lack of support to social science research in those two areas. We recommend that funding be increased so that these two programs could each issue an RFP every year.
4. Anecdotal information about the 1890 entrepreneurship program gathered from the states and annual reviews seem to indicate that this program could be a model for a national program involving all land-grant universities and benefiting the rural areas of every state. The Board recommends an external evaluation of the program to determine if it has been effective enough to justify expansion and additional funding

5. CSREES and ERS agencies collaborate with USDA Rural Development to explore what extent research findings on entrepreneurship are being or could be utilized to help guide USDA Rural Development programs as well as Land Grant university rural development efforts and those orchestrated through the Regional Rural Development Centers. Opportunities may also exist for collaboration between REE agencies and federal agencies outside of USDA interested in entrepreneurship.
6. The Board recommends that Cooperative Extension develop targeted programs in financial literacy and entrepreneurship for diverse audiences from 4-H youth who are just preparing to enter the job and business world to farmers and ranchers concerned about estate planning and transfer of wealth. A goal for young people would be to introduce them to the diversity of careers in rural areas and the skill sets and opportunity to start new businesses and remain in rural areas.
7. Cooperative Extension should partner with others involved in rural small business development and education, such as community colleges and Small Business Development Centers to provide value-added entrepreneurship programs for the agricultural and natural resource-based sectors, and also for the businesses that serve these sectors and rural populations generally. Since health care is such a high priority for rural areas, the strengthening of non-profits and for-profits that provide such services by improving management skills may be extremely valuable for rural community development. These actions would contribute to sustainable and resilient communities.
8. The Board recommends that Cooperative Extension expand educational programs in the use of technologies for web-based businesses, such as e-commerce marketing and sales, as well as financial management tools required to start and grow businesses.

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