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ABSTRACT

Since the advent of the 1980s, the economic viability of many farm operations has been severely jeopardized. Although attention has been directed primarily to the Midwest, in many respects farm stress has been greater in the South than in any other region. What is clear, however, is that the crisis is not strictly an agricultural one. Rather, a plethora of communities across the rural landscape, especially in the South, has been subjected to a crisis of its own. While the so-called "rural crisis" in the South has been an outgrowth of the changed economic conditions of the 1980s, it also has been based on deep-seated problems that have existed in the region for decades. Unfortunately, despite severe hardships facing rural areas of the South, land-grant institutions of the South are ill-equipped to respond to the needs of these communities. Further exacerbating the situation is a federal policy that has reduced support for rural development program initiatives at state and local levels. It is argued that land-grant programs of the South must embrace a rural development initiative as part of their mission, and develop new strategies for realizing economic development and visionary leadership in rural communities of the South.
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THE RURAL SOUTH IN CRISIS: NEW CHALLENGES FOR RURAL DEVELOPMENT

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By

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Paper presented at the Southern Rural Sociological Association Meeting
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THE RURAL SOUTH IN CRISIS:
NEW CHALLENGES FOR RURAL DEVELOPMENT*

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ABSTRACT

Rural society has been subjected to a series of forces during the course of the last two decades. Since the advent of the 1980s, the economic viability of many farm operations has been severely jeopardized. Although attention has been directed primarily to the Midwest farm belt, farm stress has, in many respects, been greater in the South than in any other region of the country. What is clear, however, is that the crisis is not strictly an agricultural one. Rather, a plethora of communities across the rural landscape, especially in the South, have been subjected to a crisis of its own. While the so-called "rural crisis" in the South has been an outgrowth of the changed economic conditions of the 1980s, it also has been based on deep-seeded problems that have existed in the region for decades. Unfortunately, despite the severe hardships facing rural areas of the South, the land-grant institutions of the South are ill-equipped to respond to the needs of these communities. Further exacerbating the situation is a federal policy that has reduced support for rural development program initiatives at the state and local levels. It is argued that the land-grant programs of the South must embrace a rural development initiative as part of its mission, and develop new strategies for realizing economic development and visionary leadership in rural communities of the South.

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THE RURAL SOUTH IN CRISIS: NEW CHALLENGES FOR RURAL DEVELOPMENT

Introduction

As an interested observer of rural society, I cannot help but reflect on the changing conditions that have impacted rural localities in recent years. Upon my arrival at the University of Florida in 1977, I was witness to a population resurgence across many nonmetropolitan counties in America. Particularly significant was that this so-called "population revival" was principally a phenomenon of rural places, not of nonmetro areas located on the fringe of urban communities (Lichter, et al., 1985). Many rural areas were participating in the growth of their economies, led by new jobs in the manufacturing, service, and natural resource based sectors (Beale and Fuguitt, 1986; Pulver, 1986). Within land-grant institutions, the rural development enterprise, although not large, was doing well. Title V funds emanating from the Rural Development Act of 1972 were stimulating University research and extension activities intended to bring further enhancement to the quality of life available to rural residents.

But, the decade of the 1980s introduced a host of new problems for rural America. A combination of international and domestic forces brought havoc to the farm community. While the midwestern farm belt initially commanded much of the attention, it subsequently became all too clear that the "farm crisis" was more than a Midwest phenomenon, but a nationwide dilemma. A report prepared by the U.S. Senate Subcommittee on Intergovernmental Relations titled, "Governing the Heartland: Can Rural Communities Survive the Farm Crisis?" served to put us on notice that communities dependent on agriculture were hurting as well (U.S. Senate, 1986). Unfortunately, strains were also being evidenced by rural localities having little dependence on agriculture. Such stresses were being

prompted, in large part, by a retrenchment or discontinuation in the activities of their manufacturing industries. Thus, by the mid-1980s, we had not only a farm crisis, but a rural crisis to contend with. Of course, the situation remains much the same today.

As part of my presentation, I would like to briefly review the nature of the farm crisis, including a Southern perspective on this issue. Then, I would like to expand my focus by considering the crisis in rural areas, particularly its prevalence in rural hinterlands of the South. I will argue that in many respects, the so-called rural crisis is not a recent phenomenon, but a condition that has prevailed for years in many rural areas in the South. I will then state that efforts to respond to the needs of rural communities have been constrained by reductions in support for rural development activities by the federal government and by our state land-grant institutions. Finally, I will offer my thoughts on the challenges that I believe exist for rural development in our Southern land-grant system.

The Farm Sector in Turmoil

In retrospect, it is clear that several ingredients contributed to the rise and fall of the U.S. farm sector during the 1970s and 1980s. In the decade of the seventies, one found international markets for U.S. farm products expanding. The outlook appeared favorable that farm exports would continue their upward trend (Economic Research Service, 1986a). Moreover, farmland values were accelerating at a pace that exceeded the inflation rate. Real interest rates were barely averaging 1 to 2 percent during this period of time (Economic Research Service, 1985). Collectively, these forces prompted many farm operators to expand their land holdings and to aggressively purchase new capital equipment. The end result was a near 20 percent increase in farm production during the 1970s (Economic Research Service, 1986a; 1985).

Nonetheless, the 1980s introduced an entirely different economic climate for the farm community. In an effort to combat high levels of inflation, stringent monetary controls were initiated in the United States (Economic Research Service, 1986b; 1985). These were accompanied by a surge in real interest rates of 8 to 10 percent (Economic Research Service, 1986a). High real interest rates brought strength to the dollar on the international marketplace, dampening export demand for more costly U.S. agricultural products (Economic Research Service, 1986b). The recession being experienced worldwide, coupled with expanded agricultural production capacities of Third World countries, brought further weakening to the international markets that were traditional havens for U.S. agricultural products (Economic Research Service, 1986a; Green, et al., 1986).

Thus, the combination of domestic and international forces brought significant declines in the net farm income of the U.S. farm sector. Given the inextricably tie between farmland values and the present and projected income of farm operators, land values began to plummet. Declines have averaged some 28 percent since 1982, a far cry from the 58 percent average increase witnessed during the 1977-81 period of time (Green, et al., 1986; Hines, et al., 1986; Van Chantfort, 1986).¹ With farmland and buildings constituting 76 percent of the total assets of the average farm, it is easy to see how the equity of many farmers has undergone substantial erosion. For some, the debt levels incurred during the latter part of the 1970s have been unsustainable, creating considerable financial stress for these farmers. The declining equity position of farmers has jeopardized their success in renewing existing loans or borrowing additional funds to support their farming activities (Economic Research Service, 1986a; Green, et al., 1986; Wilson and Sullivan, 1985).

In a recent article, Baill (1986: 217-19) provides an interesting profile of the economic crisis faced by farmers of various scales of operation. He

notes that small farmers (with gross farm sales of \$10,000 or less) are in sound financial condition, with only 3 percent having debt to asset ratios in excess of 70 percent (the point at which a farmer is considered to be very highly leveraged). Obviously, the dependence of most small farm operators on off-farm income has provided them with the necessary financial resources to avert many of the economic hardships impacting the farm sector. At the other extreme, large farms with farm sales of \$500,000 or more, are also in reasonable good shape with approximately 11 percent having debt to asset ratios of 70 percent or higher. It is the mid-sized farmers, according to Baill, that are in the most precarious situation. Most of the 200,000 or more severely stressed farms in the United States are subsumed under this farm sales category.

How have Southern farmers fared in this crisis situation? Results of the 1985 USDA Farm Costs and Returns Survey show that 13 percent of the farmers in the South are experiencing financial stress (i.e., debt to asset ratios of 40 percent or higher). This compares favorably to the 25 percent figure uncovered for the Midwestern farm areas. Moderate declines in the value of Southern farmland relative to other regions of the United States are largely responsible for preserving the asset values of farmers living in the South (Hines and Petrulis, 1986).

Nonetheless, not all has been well for Southern agriculture. As Conway (1986) argues, on the basis of many measures, farm stress has been greater in the South than in other portions of the country. Using findings of a farm credit survey conducted by the American Banking Association, she notes that (Conway, 1986: 3):

- Southern banks discontinued financing on 6.9 percent of their

farm loans during the year ending June 1985, the highest of any region in the country.

- The percentage of farmers who went out of business in the South during the year ending June 1985 was 5.6 percent, the highest of any U.S. region.
- The percentage of farmers who went into bankruptcy during the year ending June 1985 in the South was 5.7 percent, the highest figure in any of the regions.
- The percentage of farmers who were loaned up to their practical limit in the South in 1985 was 47.4 percent, the highest of any region in the country.
- The percentage of Southern farmers who were expected to be loaned up to their practical limit in 1986 was 48.6 percent, the highest of any region in the nation.

Aside from Conway's observations, delinquent Farmers Home Administration debt increased fivefold between 1982-85, with the bulk of that debt being concentrated in the farm community of the South (Economic Research Service, 1985). Obviously, the South has not come out of the farm financial crisis unscathed.

From my standpoint, there are other reasons to be concerned. For one, farmers in the South have the highest dependence on off-farm employment. In 1982, nearly 41 percent of the farm operators in the South worked 200 days or more off the farm. The U.S. figure was 34.4 percent (Beaulieu and Mulkey, 1986). Further, of Southern farmers' total income, nearly two-thirds was

derived from off-farm sources (Green, et al., 1986). While some would argue that gainful employment of many Southern farmers in off-farm jobs has served as a safety net (Petrulis and Green, 1986), cushioning them from feeling the full impact of the farm crisis, harder times may be just around the corner. Many farm operators (or farm family members) have been employed in the manufacturing sector, a sector that has been undergoing a significant decline in several rural areas of the South. Reductions in the nonfarm sector job opportunities could rapidly deteriorate the financial status of a host of small and middle-sized farm operators in the region.²

A second, but related, basis for concern is that the continued viability of most black-owned farm operations may be in serious jeopardy. Of all Black farmers in the United States, some 95 percent are located in the South (Hoppe, et al., 1986). Most are small in scale, making off-farm income a necessary ingredient for survival. Unfortunately, most Southern Black farmers reside in counties that have experienced little, if any, growth in nonfarm sector employment (Hoppe, et al., 1986). It is doubtful that these farmers can survive in this environment.

The Crisis in the Rural South: The Gloomy Side of the Sunbelt

Although scientific evidence was wanting, simple observation began to reveal that the farm crisis was not the exclusive property of those living within the farm gate. Rather, turmoil was beginning to spread to those communities dependent upon agriculture for their economic vitality. Agribusiness firms, as suppliers of farm production inputs and support services, were suffering hardships (Ginder, et al., 1986). The health of local financial institutions was being jeopardized as their portfolio of problem agricultural loans began to increase (Green, et al., 1986). The depressed agricultural situation was impacting main street retailers as sales were experiencing a

downturn (Heffernan and Heffernan, 1986; Tubbs, 1985). With the declining value of agricultural lands, the tax revenues of local governments were beginning to fall, leaving officials in a quandry regarding the maintenance of essential public services in the face of dwindling resources (Green, et al., 1986; U.S. Senate, 1986). These trends were the major impetus for the U.S. Senate report on "Governing the Heartland: Can Rural Communities Survive the Farm Crisis?" noted earlier in my introductory comments.

Unfortunately, the attention given to the declining health of agriculture dependent areas has overshadowed the plight of rural communities with limited dependence on agriculture, a plight that portends greater consequences for the future of rural America. For one, despite the gains realized during much of the 1970s, economic and demographic trends reveal that many rural people and rural areas have been left behind in the 1980s (Wilkinson, 1986a). As Long (1986) notes, since the latter part of the 1970s, a "re-reversal" has taken place -- employment and income growth are once again greater in urban than rural locales. In large part, the heavy commitment of rural areas to manufacturing and natural resource based sectors, sectors which have experienced much uncertainty in recent years, has caused them severe economic hardships (Pulver, 1986; Wilkinson, 1986a). Concurrently, migration trends have returned to their traditional patterns of greater urban than rural growth across much of the United States (Wilkinson, 1986b). Since the recession of 1980-81, poverty has made its presence felt across the rural landscape (U.S. Congress, 1986). And nowhere are these indicators of rural stress more evident than in the South.

A series of regional reports, with titles such as "After the Factories: Changing Employment Patterns in the Rural South" (Rosenfeld, et al., 1985), "Shadows in the Sunbelt: Developing the Rural South in an Era of Economic Change" (Ford Foundation, 1986), and "Halfway Home, a Long Way to Go" (Southern Growth Policies Board, 1986a), paint a picture of the South that is in stark

contrast to the social and economic enhancements that were expected to touch all segments of the South during the boom of the 1970s. Two specific passages from these reports effectively portray the dilemma in the rural South:

Much has been made of the rapidly expanding economy of our fabled "Sunbelt;" indeed, growth in population and employment for Southern states greatly exceeded the national averages over the past decades.... Yet, this explosive urban growth has masked the growing difficulties of the rural South. After two decades of reasonably solid growth, many rural communities are now finding themselves in serious trouble, faced with a simultaneous decline in manufacturing and agriculture. In short, while we live in the Sunbelt, there is a dark cloud hanging over many of our rural neighbors (Ford Foundation, 1986).

The sunshine on the Sunbelt has proved to be a narrow beam of light, brightening futures along the Atlantic Seaboard, and in large cities, but skipping over many small towns and rural areas. The decade's widely publicized new jobs at higher pay have been largely claimed by educated, urban, middle-class Southerners. Although their economic progress has lifted southern per capita income to 88 percent of the national average, millions of us -- approximately the same number as in 1965 -- still struggle in poverty (Southern Growth Policies Board, 1986a).

It is true that during the period of the 1970s, the future of the rural South looked bright. Manufacturing jobs swelled and became the dominant economic force across much of the rural South (Ford Foundation, 1986; Hines and Petrulis, 1986; Lyson and Falk, 1986).³ Rural per capita income made slow, but

steady progress toward reaching parity with the national figure (Winter, 1986a). The rural South's population increased a healthy 13.8 percent, 2.7 percentage points higher than the national average (Beaulieu and Mulkey, 1986).

But with the introduction of the 1980s, the foundation on which the rural South's prosperity was being built began to develop cracks. Manufacturing employment receded, with extensive job losses penetrating the textile and apparel industries (Ford Foundation, 1986).⁴ Like the agricultural sector, the rise in real interest rates, the high value of the dollar, and increased competition exerted by third world countries, dismantled the markets that had been traditionally available to Southern industries (Hines and Petrulis, 1986; Winter, 1986b). And the current economic prognosis for the rural South appears bleak. The so-called up-and-coming industries now locating in the South are looking for amenities that few rural areas possess, including a skilled work force, a highly developed community infrastructure, and a sound, well-supported educational system (Johnson, 1986; Rosenfeld, et al., 1985). Is it any surprise then, that new employment opportunities in the metropolitan South are increasing at rates twice those of nonmetro areas (Winter, 1986b)?

Per capita income of nonmetro areas of the South, though keeping pace with that of its metro cousins during much of the 1970s, has slipped precipitously since the advent of the 1980s (Rosenfeld, et al., 1985). An unfortunate correlate has been higher levels of poverty. Poverty is now increasing more quickly in rural than in urban areas of the South (Johnson, 1986).⁵ In addition, the largest differential in the rates of unemployment and underemployment between metro and nonmetro areas in the country currently exist in the Southern region (Lichter and Constanzo, 1986).

Thus, it is the collection of these forces that reflects the gloomy side of the Sunbelt and lends credence to the claim that the rural South is experiencing a crisis of major proportions. But, is this crisis new? A review of key

pieces of information leads one to believe that the crisis in the rural South is not simply a phenomenon of the 1980s. For example:

- Of the 298 nonmetropolitan counties who ranked in the lowest per capita income quintile between 1950 and 1969, 231 remained in this persistent low income classification in 1979; better than 92 percent of these counties were located in the South (Hoppe, 1986).
- When contrasted with other regions of the country, poverty levels were higher and median family income lower in the South both in 1970 and 1980 (U.S. Congress, 1986).⁶
- The proportion of college graduates in the rural South is 40 percent below, and the percent of adults 25 years or older with a high school education is one-third less than, the average of the nation as a whole (Ford Foundation, 1986).⁷
- Even with the economic growth of the 1970s, the per capita income of rural black Southerners barely reached 30 percent of the national average in 1980 (Ford Foundation, 1986).⁸ The bottom line is that Southern industrial expansion in the 1970s essentially by-passed the bulk of rural areas having sizable minority populations (Ghelfi, 1986; Johnson, 1986).

So, despite the new rhetoric about the emerging crisis in rural America, we must recognize that the rural South has been immersed in a rural crisis for decades. While some of the issues confronting rural communities of the South are indeed new, many are deeply-rooted problems that still long for resolution.

Declining Resources for Rural Development

The unfortunate paradox that we find ourselves in is that despite the severe hardships that now face many rural communities in the South, the rural development enterprise is ill-equipped to respond to the needs of these communities. The support for rural development activities within the land-grant system has undergone steady erosion during the 1980s, the very time when the problems of the rural South have become progressively worse. Although federal funding for Title V of the Rural Development Act of 1972 ceased in 1980, the 1981 Agricultural Appropriations Act folded the \$1.5 million annual appropriation for Title V rural development research into the general Hatch appropriation to state agricultural experiment stations. It was the intent of the Congress that these monies be earmarked for rural development research at these land-grant schools (Brown, 1982). Unfortunately, many land-grant institutions began dismantling their rural development research efforts soon after the demise of Title V was complete.

The State Cooperative Extension Service side of the land-grant system has responded in a similar fashion. Nationally, the number of professional FTEs dedicated to Extension's community and rural development program has declined by at least one-fifth since 1981. Between 1981 and 1984, 10 of the 13 Southern states reported reductions in professional time in the CRD area (Nelson, n.d.). Casual observation would suggest that the downsizing of Extension CRD work has continued to occur in most (if not all) Southern land-grant schools. So, that is the paradox -- a severely weakened rural development research and extension enterprise in the South attempting to respond to the region's ever-burgeoning rural crisis

Exacerbating the situation has been a national policy that has effectively reduced support for rural development efforts at the state and local government levels. Some estimates show that since 1980, federal budget cuts have costs

state and local governments in the South some \$20 billion, resources that often have been funneled to key rural development programs (such as economic development and infrastructure enhancements) (Ford Foundation, 1986). With the recent loss of General Revenue Sharing funds, many small communities are faced with the burden of maintaining important services in the face of declining resources. And the future may be more bleak. The recently released Reagan Administration budget proposal for FY88 calls for elimination of several programs that have been the cornerstone of rural development work in the South, including the Appalachian Regional Commission, the Economic Development Administration, and Tennessee Valley Authority's economic development programs. The comment of Representative Butler Derrick (D-SC) provides a most succinct summary of the Administration's FY88 budget proposal -- "Reagan's budget just trashes rural America" (NADO, 1987).

New Challenges for Rural Development

In light of the paralysis that has made its presence felt in many areas of the rural South, it is time to consider new rural development strategies for the region. Perhaps "new" challenges is a misnomer; the more appropriate word may very well be "renewed" challenges for developing the rural South. In speaking of rural development, I am referring to efforts to enhance the well-being of rural people. In this vein, I adopt the view held by Wilkinson (1985: 88) that such development entails both a process (such as enhancing citizen involvement in local actions) and a product (such as local economic expansion). So what are the challenges for rural development, specifically within the land-grant system environment?

One essential activity is for our land-grant schools to play an active role in the economic vitalization of rural communities in the South. The challenge is great on at least three fronts. First, it will require our extension and

research administrators to commit themselves to an initiative that they have shown limited commitment to in the past. Although some Southern institutions have had an active, comprehensive program in economic development, these have been the exception more than the rule. In large part, rural development efforts of this type have not been viewed as central to the mission of the land-grant system. The maintenance of a productive, highly-efficient, and profitable agriculture has remained a dominant component of that mission. While agriculture should continue to be key to the land-grant mission, leaders of our Southern land-grant schools must embrace a broader view of that mission by supporting a strong rural economic development initiative. The well-being of many small and medium-size farm families, as well as nonfarm rural families, is dependent on it.

Second, the type of economic progress needed in the Southern rural communities of today will require innovation and resourcefulness. The approaches of the past are no longer valid in most rural areas. Our land-grant institutions, as generators and disseminators of new knowledge, must work in partnership with local communities to develop the mix of strategies that best fit the needs of these communities. Bob Bergland's perspective that rural economic development be pursued from a human systems approach is particularly appropos (Bergland, 1986). His approach involves careful consideration and response to three key questions: Where is the community now? Where should the community be going? And how does the community get to where it wants to be? From my perspective, land-grant faculty involvement in providing the necessary information for guiding communities' responses to these questions is not only desirable, but essential.

A third important challenge within the economic development arena is for our land-grant system to commit itself to improving the lot of rural areas that have suffered from poverty and inequality. Needing special attention will be

those rural communities with a history of being left behind. In many cases, these will include rural locales with sizable minority populations (and minority farm families). It is important that the efforts to assist these communities not be viewed as the exclusive responsibility of the 1890 land-grant programs. Rather, to realize social and economic progress in these depressed rural counties, the talents and energies of both 1890 and 1862 institutions will be required.

Even with all this, it is clear that an important conduit for achieving rural economic development is sound leadership within the local community arena. Economic progress and visionary leadership are inseparable. As William Winter, former Governor of Mississippi, recently remarked concerning his committee's work on the "Shadows in the Sunbelt" report, "we found a number of specific instances across the South where resourceful local leadership [was] making a difference in the economic revitalization of their communities" (Winter, 1986a). Our land-grant institutions have a strong history of providing nonformal community leadership development programs to rural areas. It is important that these efforts continue. However, they must be more than packaged programs designed to impart knowledge on such things as group process skills or problem solving techniques (Wilkinson, 1986a). Our educational efforts must highlight the "community" portion of community leadership development. This can be achieved, in part, by seeking the involvement of people who represent the various segments of the community. But, it also involves helping these individuals to become what Wilkinson (1986a) labels generalized leaders -- leaders who continuously seek to assess how a project or program responds to the long-term needs and well-being of the community.

So, it is rural economic development and the development of visionary, community-minded leaders, that I see as the principal rural development challenges of land-grant institutions in the South. While the topics may not be

new, the strategies for achieving them are. Success in these two areas will, in my estimation, stimulate resolution of other important rural development issues, such as infrastructure enhancements and improved health care services.

Finally, the recent report of the Commission on the Future of the South titled, "Halfway Home, a Long Way to Go" (Southern Growth Policies Board, 1986a), asserts that one reason why the South has not achieved the progress that was anticipated during the fury of the 1970s is because many Southerners have not even been making the journey. As rural sociologists, we can, along with our land-grant system colleagues, help rural residents of the region head towards home. I leave you with this question: Are you ready to help them make that journey home?

Footnotes

¹ Van Chantfort (1986) notes that the average per acre price of farmland on February 1, 1986 was \$596, a major decline from the peak value of \$823 recorded in April, 1982.

² Off-farm income is far more critical to Southern farm operators than to those in other regions of the country given that 82 percent of Southern farms are small in scale, with annual sales of less than \$40,000. The national figure for farms in this same sales category is 68 percent (U.S. Congress, 1986).

³ Better than 80 percent of the manufacturing growth in the South during the 1970s occurred in nonmetropolitan locales (Lyson and Falk, 1986).

⁴ It is estimated that better than 100,000 textile jobs and 16,000 other jobs in the apparel industry have been lost in the Southeast since 1980 -- the bulk of these being in rural areas of the region (Ford Foundation, 1986).

⁵ According to Johnson (1986), some 21 percent of the population now residing in rural areas of the South are living in poverty, and the figure is moving upward.

⁶ Poverty levels in the rural South were about 6 percent higher in the South than in any other section of the country in 1980 (U.S. Congress, 1986).

⁷ The 1986 Commission of the Future of the South found that functional illiteracy was much higher in the South than in the rest of the nation. Approximately 25 percent of the adults in the South had less than an eighth grade education, versus 17 percent for the remainder of the United States (Southern Growth Policies Board, 1986b).

⁸ Poverty statistics for black Southerners have been alarming: more than 58 percent of black rural females were living in poverty in 1983; over three-fourths of rural black children under eighteen years old living in a female-headed household were poor in 1983; and for rural black children under six years of age in a female-headed household, some 80 percent fell below the poverty threshold (Johnson, 1986).

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