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# Economics Newsletter

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## Implications of the Farm Crisis for Rural Communities in South Dakota

by  
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Many people feel that the current farm financial crisis will result in an accelerated rate of decline in net farm numbers, at least in the short term. Given South Dakota's strong agricultural orientation, this suggests that towns must increasingly diversify their economic base in order to retain population. Economic diversification thus constitutes a major challenge for towns throughout the State at this time.

Farm numbers have declined in South Dakota from more than 80,000 in the early 1930s to approximately 37,000 in 1982. South Dakota's net farm numbers declined by 4 percent between 1978 and 1982, the last two ag census dates. Should the rate increase to 10 percent between 1982 and 1986--a possibility, not a certainty--there would be 3,700 fewer farm families in South Dakota. Data from Iowa State University for northwest Iowa indicate that one retail business could fail for each nine farms that fail, if the farm families are forced to leave the area for lack of alternative employment opportunities. Applying that same ratio to South Dakota would suggest that the exodus of 3,700 farm families could trigger the demise of around 400 retail businesses in the State. The need for creating alternative employment opportunities in our rural communities is thus very great.

### Rural development background

During the 1970s, South Dakota experienced substantial rural economic development. The State's population grew by 4 percent overall, partly as a

result of significant growth in non-agricultural wage and salary employment. Manufacturing employment essentially doubled in South Dakota between 1965 and 1979. Although manufacturing is still modest as a percentage of non-agricultural employment in the State--12 percent, in comparison to 21 percent for the Nation as a whole--manufacturing became an important force in rural economic diversification and employment during the late 1960s and the 1970s.

In spite of this overall favorable performance, two-thirds of our South Dakota counties and more than one-half of our towns actually declined in population during the 1970s. Moreover, the recession of 1980-82 caused an economic setback in South Dakota, as elsewhere. Though state-wide unemployment rates have come down with subsequent economic recovery, we have for many years had a great deal of underemployment in South Dakota.

### Coping with the present situation

The first order of priority in our rural communities is to assist farm and non-farm families directly affected by the financial crisis to cope with their economic situation. Management and marketing programs to assist as many farms as possible to remain viable are receiving increased attention and interest. Many non-farm businesses feeling the economic squeeze will also need to improve their financial and overall business management in order to survive. Families themselves will likewise be forced in many cases to improve their budget planning and management.

For those farm and non-farm families which are simply unable to survive in their current businesses, assistance in the economic transition to alternative occupations is needed. Some South Dakota Job Service Offices are devoting substantial attention to helping former farm operators prepare for alternative employment. Food,

"Options" program--by assisting communities to discern economic trends at work and to identify development options available to them. The extent of local impact of the farm finance crisis, as well as the viability of different options, will vary with a community's size and geographic location in the state. Leaders therefore need to examine the options available in light of both overall trends and their own community's particular strengths.

The second prong involves South Dakota's rural development strategy for jobs in the Twenty-First Century. The basis for this needs to be laid now if objectives are to be achieved. This part of the strategy would aim for skilled, higher-wage jobs in the high-tech manufacturing and service industries that are becoming increasingly important to the American economy. Included would be special attention to expected scientific and technical developments in the food and agriculture industry. South Dakota can thereby build on its strong agricultural tradition and infrastructure to capture new businesses and jobs that evolve in that industry. The extent to which South Dakota will be able to cultivate and attract Twenty-First Century industries will in substantial part depend on the quality of life offered in the state (through schools, roads, municipal services, etc.), on the quality of higher education and research institutions, and on effective collaboration and cooperation of the private sector with public institutions.

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heating, and other forms of assistance will also be needed for some families as they go through employment transition. The South Dakota Department of Social Services, Community Action Offices, churches, and voluntary agencies all play roles in providing some such assistance. It is important for individuals to be effectively channeled to assistance that is available--in the areas of management, occupational alternatives, and basic material needs. The creation of "Community Resource Committees" is one means of identifying available resources and matching individuals with them.

## Strategy implications

Continuing, and possibly accelerating, declines in net farm numbers, coupled with persisting underemployment, suggest the need for a two-pronged rural economic development strategy in South Dakota. One prong is short-term, covering the remaining 15 years of the Twentieth Century. It may involve a heavy focus on the type of manufacturing growth experienced during the 1970s and the type of financial and related services growth experienced more recently. An intensive reexamination of agricultural processing is also in order--to identify possible targets of opportunity. Closely related to that is identification of alternative agricultural crop possibilities for the State. SDSU's Cooperative Extension Service works with communities in support of this first prong--through its "Small Town Economic Development