

Texas Agricultural Extension Service

Developing Your Local Economy: Focus on Agriculture

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No single strategy for economic development can work equally well for all Texas communities because of their diversity. Individual local economic situations determine the specific composition of successful economic development strategies. Because of this, community leaders find assessing the ways in which *all* components of their local economy can contribute to its development extremely useful.

Here, the potential contribution of one component of the local economy — agriculture — is assessed by addressing issues often raised by local economic leaders in key questions such as: How does agriculture affect our economy's development? What can we do to enhance agriculture and its role in our economy?

Enhancing Agriculture's Role

Figure 1 presents a very basic illustration of agriculture's local economic role. Agriculture brings in dollars which are then available for expenditure, locally or elsewhere, creating additional jobs and income. If agricultural dollars leave the local economy, other places benefit. Agriculture's contribution to development is related to dollars brought into, and circulated within, the local economy.

From this perspective, focusing on agriculture in community economic development efforts involves two basic principles:

- Increasing agricultural dollars flowing into the local economy.
- Increasing circulation of agricultural dollars within the local economy (or reducing the outflow of dollars).

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Application of the first principle to agriculture could involve local initiatives to enhance profitability and competitiveness, diversification or marketing of commodities. Specific examples

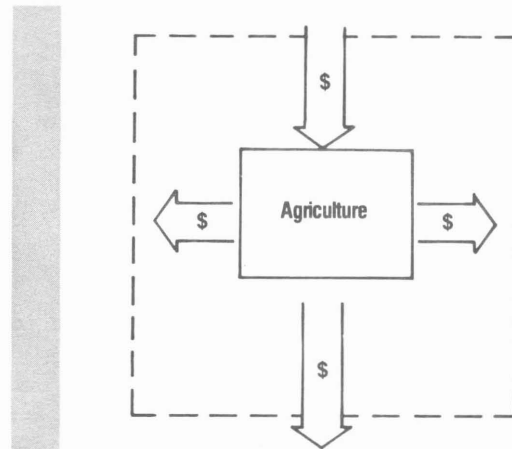


Figure 1: Dollars entering (top arrow), leaving (bottom arrow) and circulating within (side arrows) the Local Economy

of this approach are adoption of cost-saving technologies, production of alternative crops or use of innovative marketing strategies. However, evaluation and implementation of such initiatives require very specific technical and professional expertise. While overall community support is valuable in efforts of this type, direct involvement is generally precluded.

Other possibilities for application of the first principle concentrate on agriculturally-related dollars. Providing for storage, transportation or processing of commodities within the local economy illustrates this principle. These activities may not directly increase income to


agricultural producers but by "adding value," these activities increase dollars flowing into the local economy and create additional jobs and income. Flour-milling or beef packing operations are two examples of adding value to agricultural commodities through additional local processing. This added value translates into more local jobs and income and, possibly, higher commodity prices for local producers because of reduced transportation and storage costs. This type of agribusiness development is similar to typical community economic development efforts designed to increase dollars flowing into the local economy. Therefore, local leaders should be able to evaluate the potential for, and implement, such initiatives.

Focus on Agricultural Expenditures

Increasing the circulation of agricultural dollars within the local economy can also make a substantial contribution to community economic development. Again, communities often apply this principle focusing on consumer dollars. Examples of such applications include "shop at home" campaigns, customer relations training, business recruiting or other actions to reduce the outflow of local consumer dollars. These specific actions may be the result of consumer opinion or market studies identifying expenditure patterns of local consumers.

The equivalent of these methods could be used to determine why, and for what purpose, dollars expended on agricultural production costs leave the local economy. Following identification, appropriate actions can be initiated to retain local agricultural dollars. For example, if agricultural dollars are leaving the local economy to purchase production inputs, it may be feasible to provide these locally. Successful efforts with this type of agribusiness development increase local economic activity.

Combining these principles to enhance agriculture and its role in community economic development is also possible. Vertical integration of local agricultural production and



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agribusiness functions (supplying inputs, marketing, processing, etc.), such as in local producer cooperatives, is a good example. This, and other types of vertical integration, can enhance agricultural profitability and marketing; increase the inflow of dollars by adding value; and increase the circulation of agricultural dollars by reducing trade leakages.

Summary

Two principles have been identified which can be applied to community economic development focused on agriculture. Many communities have experience in nonagricultural applications of these principles. However, agriculturally focused applications need to involve those knowledgeable of this component of the local economy. As with vertical integration, combining agricultural and nonagricultural expertise can be a powerful tool for community economic development. Texas Agricultural Extension Service educational programs and publications address these topics. For further information contact your local county Extension agent.

Educational programs conducted by the Texas Agricultural Extension Service serve people of all ages regardless of socioeconomic level, race, color, sex, religion, handicap or national origin.

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