
Re-Invigorating the Traditional Economy: General Discussion

Moderator: Alan Barkema

Mr. Barkema: Ladies and Gentlemen, we have covered a lot of ground with this afternoon's panel. We began with agricultural alliances, moved to manufacturing networks (clusters), and then to prospects for leveraging rural scenic and cultural amenities. Now we have come to the point in the program for you to respond with your questions and comments.

I'll take the Chair's prerogative to ask the first question and address it to Larry Martin, since Larry was the first presenter this morning on agricultural alliances. A concern in this country is that, as we see the industry moving toward more of an alliance structure, small producers are forming alliances with larger corporate entities. There is a question of power sharing in those arrangements. Are there any special characteristics of successful alliances where we see business of very disparate sizes coming together in a successful way?

Mr. Martin: Most of my experience, of course, is in Canada. In the situation I talked about, we have 13 small farmers. I was speaking with a couple people at lunchtime and I mentioned another small company that I am associated with, Cold Springs, which has \$140 million a year in sales and has an alliance with Maple Leaf Foods. The person I was talking to said, "Your definition of 'small' and mine are maybe not the same"—until I got to the second part, where I mentioned that Maple Leaf Foods has \$3 billion a year in sales. That was a very interesting situation because the parties "danced" three times before they actually developed the alliance. Every time the dance ended because Cold Springs was

afraid that they were getting into bed with somebody who was just a little bit too big for them. Finally, they said we have to do this together. In fact, that alliance has continued for almost two years and there is no threat whatsoever that the big guy will take over the little guy, because they dealt with it consciously. To me, it is a simple-minded concept. It is being conscious of the issue at the outset. The large operation has to be sensitive to the issue and has to make sure that the governance of the alliance is set up in such a way that there is not going to be cannibalization. I don't know of a better way to say it. I don't think there is a formula, but the sensitivity and the consciousness have to be there.

Mr. Barkema: Stuart, did you have a follow-up?

Mr. Rosenfeld: There was an interesting article in an issue of the *Harvard Business Review* back in the early days of networks by Howard that distinguished between republics and kingdoms—and making a similar distinction between the small companies that get together. It can happen, but it is a different power relationship when it is a big one and a small one. It doesn't work the same.

Mr. Barkema: Now let's turn to the audience.

Ali Webb, W. K. Kellogg Foundation: My question is to Mario about the outlook for the 2006 redistribution. How do you envision moving to the rural agenda and the green agenda from the commodity agenda? It is something we struggle with tremendously in this country.

Jane Leonard, *Minnesota Rural Partners*: My question is related, but it gets to the structural changes. I would direct this to Mario too. We can make all these policy changes, but should we change the operations of the federal government—for example, the Department of Agriculture? Should that become a rural ministry instead of an agricultural department? Are you seeing those kinds of changes at the European Union level?

John Gardner, *University of Missouri, Agriculture & Natural Resources Extension*: There has been a lot of talk of intermediaries and honest brokers. Considering we will have a lot of people needing a job very soon in land grant, I was just wondering about the pros and cons of exactly what we are looking for in a good intermediary or in a good broker to do this kind of facilitation?

Mr. Barkema: Okay, we have some common threads emerging. The first question: How can a rural policy that has historically, at least in this country, been largely an agricultural policy move away from those roots toward the rural and the green agenda that you outlined, Mario? Second, in this country, how can the governance of policy, again which has largely been agricultural, move in that direction? Does it take a new federal agency, for example, other than the U.S. Department of Agriculture? And finally, How can land grant universities perhaps help broker that shift in agricultural to rural policies?

Mr. Pezzini: Thank you. Well, this is the question. From my point of view, the real issue is not whether there is a demand for amenities or if there are amenities. I think it is easy to understand there are areas with amenities and areas without. The real issue is how to take advantage of amenities recognizing that past policies often prevented that. When I say “our,” I mean member-countries—United States, Canada, Mexico, Europe, Asia, Japan, Korea, and so on.

In 1996, the European Commissioner for Agriculture, Mr. Fischler, made a proposal. He is Austrian, and in Austria mountains are important—they are able to attract tourists. Switzerland is losing tourism. It has farmers who are poor and are sure to change the landscape because they have a particular system that encourages them to raise cows and so on. Fischler proposed to take 30 percent of the funds for agriculture and move them under a heading of “funds for rural development.” Instead of giving these funds to producers and to products of agriculture, the funds would go to local authorities who then decide if they want to fund farmers or to fund tourism development, or entrepreneurship, or infrastructure, or village renewal. This was the idea.

Now, this idea has been opposed by three countries. I will not tell you which three countries, but the process spawned a major conference of 500 people last November. The Undersecretary of State from the United States attended that conference and decided that this was a good proposal. The Council of the Minister of Europe refused, because three countries opposed.

What is happening in Europe in these days? Germany—which was one of these countries, not to mention names—has changed the political-social contract with farmers that has existed 40 years; it has changed the Ministry of Agriculture. The minister is not a Social Democrat, is not a Christian Democrat, he is what we call a Green Minister. The minister is now saying that agriculture should provide healthy products. This political-social contract is not discussed with the lobby of farmers, which is 3 million strong in Europe, as I imagine the lobby is strong in the United States.

As a consequence, the real issue is how can you sit down and discuss things with the farmer from the present point of view or from the point of view that we have to change. Let’s identify a contract, a transition to change. The transition could be the Cord Agreement under the four “Rs”—phasing out the

past subsidies, moving part of them to the green advantage—as you called them—but I prefer to call them “rural” development funds which are not necessarily green. They should also put small parts in tourism. In order to do it, to build a consistency that would prevent the traditional agricultural lobby from opposing it, is possible today because of the crazy cow. Is it possible in the United States? Is it possible in Canada? How is it credible that through international negotiation these countries support free trade yet last year their farmers received the highest amount of subsidy funds? That is the issue.

Should we change the name of ministries? Maybe, in many countries this is the case. Even Portugal, which is a country that has a very strong tradition of farmers, has changed the name of the Ministry of Agriculture. Nowadays, it is called the Ministry of Agriculture and Rural Development. Italy has decentralized agricultural policies to regions. Many things are happening in this direction, and I think this is the trend now.

Mr. Barkema: There is another part of that question. The third question specifically: How might land grant universities in the United States help broker some of those changes?

Mr. Martin: Teach less mathematics in graduate programs. Before I answer that seriously, could I just make an observation that came to me as a result of the last question that Mario answered? Because of the question, it struck me that when I go back and think about what Karl Stauber said this morning with that matrix he put up—at least the left-hand side—it looks an awful lot like multifunctionality. If you buy into that, which I was fairly persuaded to do this morning, then it seems to me to be absolutely logical that you start thinking about ministries of agriculture transforming themselves to ministries of rural development, rural affairs, whatever. Enough of that.

The way I interpreted the third question was, What characteristics of a good facilitator are needed to help bring these things about? I think you can decide whether the service belongs in universities or not. To me, a good facilitator naturally requires good business skills. But other things come to my mind, at the moment anyway.

I find it really helpful to have facilitators who have had experience well beyond what we have had—that is, the *we* who are involved in the process. Someone who can challenge—from a business-development perspective. People to think beyond where they are.

And, I guess another quality is also a challenge issue. Many times, as I mentioned briefly in my presentation, culture can get in the way of making things work—that is, the culture of the organization that is part of an alliance or whatever. It is important for a facilitator to be able to challenge that culture and to hold up the mirror to people and say, “This is what I am seeing and it is what is getting in your way.” Those are my thoughts for the moment.

Mr. Pezzini: I want to be more precise about this point. From my point of view, what we saw from Karl Stauber this morning, in particular, the crossed arms that I liked very much, which is to identify different types of rural areas and to adapt policy measures to different types. This is exactly what I would call a territorial—or, if you prefer, a regional approach—something which says there are local societies organized in different ways and we have to intervene with the appropriate instruments and, particularly, to have local authorities to intervene themselves. This is the idea there. That is what I call “regional policy.”

A series of measures are taking place at an institutional level in different countries. In certain cases, Ministries of Agriculture are converting into Rural Development Ministry and so on. What is getting me in these cases is that you have the same people

that used to have the same friends, their shoes used to have the same kind of length and telephonic agenda, they move from one issue to another—in reality bringing in with them the ancient attitude.

The best solution under the institutional persuasive is to make a real paradigm shift, which implies that instead of rechanging the name of a ministry, you change the distribution of competencies. You give to local authorities or to states a responsibility in this field that is multisectoral, not multifunctional. The different perspective between a regional policy and a multifunctional policy of agriculture is that people discussing a multifunctional policy of agriculture still think that agriculture is the backbone of rural areas. While those who discuss in terms of regional policy think that rural areas have problems, not necessarily agricultural problems. I prefer to stick on the first side.

Mr. Barkema: Let's move on to the next set of questions.

D. Chongo Mundende, *Langston University, Policy Research and Analysis Center:* Listening to Dr. Pezzini, I could detect an adversarial relationship between the people who work the land and the people who don't own the land but would like to use part of the land. How is the situation changing in terms of that land being used for things other than agriculture?

A subquestion also: We have many producers in rural areas, and from the discussion it appears that we just associate agriculture with production and not with processing and things like that. Are there any statistics or any kind of analyses that you can give us in terms of how agriculture helps the rural areas by ways other than production? Because if we just lead to production I think there will be very few farmers, but when we encourage value-added aspects I think we will see that agriculture can contribute more than has been said here.

Lorna Michael Butler, *Wallace Chair, Iowa State University:* I'm from Iowa State University, another potentially unemployed person. I was really pleased to hear a number of people commenting about the need for further interaction and alliances between rural and urban leaders and rural and urban places. I wonder if you would address this a bit more in terms of regionalism, perhaps as to how some of these alliances have been created.

And then, do you see a role for universities and colleges in that whole area? Land grant universities here have not typically spent much time looking at building relationships with urban and suburban places vis-à-vis multifunctionality of agriculture.

Thomas Creighton, *First National Bank of Flagler, Colorado:* My question has to do with a topic that has come up several times today. Karl talked about the decommodification of food and fiber. Larry talked about IP crops. Mario talked about safety foods (I don't know how to say that in Italian). Is there a change in the way people are looking at their food supply, and does that have important implications for how agriculture is organized? Or is this sort of a fad that is not going to have a strong effect on what we are seeing going on in agricultural communities?

Mr. Barkema: I think I'll try to group the first and the third question. Essentially, as I read the first question, there might be some competition emerging between traditional agricultural production uses of land and some of the new value-added uses of land, as the industry shifts more from commodities to products. Is this a passing fad or the wave of the future? Where does that lead us? And what are the implications for rural communities?

Then, the middle question focused on how alliances can be formed between rural and urban places. And again, what is the role of the universities—the land grant universities specifically—in fostering those urban and rural coalitions?

Mr. Martin: Let me go at this at least from the perspective of the first question and maybe get back to the other one.

I'm 56 years old, so maybe it doesn't make that much difference. But, if I'm wrong, I haven't got anything to do with the rest of my career, because I think it is gone. I think the commoditization, or the de-commoditization, of agriculture is the most important phenomenon going on out there. I think it is going to be substantial, and it is going to continue and get much more than it has been in the past. Everyone I talk to who is in the food business says that segmentation, and in many cases that means identity preservation, just has to happen. It can't happen fast enough. It is partly because of changes in concerns about food safety, and certainly GMOs, or genetic engineering, and so forth. But it was happening well before that, as we moved toward a much more segmented market. People want particular characteristics and they want to make sure that they get those characteristics.

Part of the question is, Are we therefore giving less importance to agriculture than it really deserves out there? I really don't know the answer from what I have been hearing today, because I don't know the data. My perception would be that we *are* undervaluing agriculture, that a lot of the nonagricultural employment that people have talked about is really agriculture or spin-offs of agriculture, and that will continue. I was hoping that was one of the points my presentation made. As we see more firms creating alliances or whatever they do to add value in rural areas, the processing jobs and the spin-offs of the processing jobs are more important, increasingly important, than the traditional agricultural jobs. I am not sure, as I don't know the data well enough, that we are not undervaluing the role of agriculture with some of the data that people are talking about.

Mr. Pezzini: First, a technical point: The security of food is not just an Italian issue. It is a term used in international negotiations by countries that want

to have enough food in case of war. We are not confronted with a situation in which the food will be scarce in the near future. Consequently, this is a point that seems to me one of the implications you mentioned before.

When it comes to the real weight of agriculture in rural areas, then we enter a very sophisticated discussion, because there is the problem of input-output analysis and so on. Now if, in a rural community, 15 percent of the people work in agriculture and 35 percent work in industry, where are we going to locate the teacher of the local school? Is it on the industry side—maybe the leg and arm—or is it on the agricultural side? This is the problem at the end of the story. Why make only agriculture linkages and not link to another sector? Of course, there are traditions of economics bestowed—the French, in particular, the physiocrats—who said that all values come from agriculture.

I think that in between there have been other thinkers who said that all sectors produce values. So consequently, I would say that the real weight of agriculture is not that far from the percentage of employees that we find there, and in rural areas there are other activities. Here there is a major problem. Let me make a small example: In Italy, in a small valley, a rather small church with a beautiful fresco in it was abandoned because the area has been abandoned. The roof is leaking. After two months, the roof will fall down. The fresco, if it remains, will be almost destroyed; and the cost in terms of restoration to rebuild this fresco will be enormous. If you have a person living close, having the habit of having chewing gum, is it enough to take out of his mouth the chewing gum and put it on the roof where it is leaking so the roof will not fall down? This is the difference between extraordinary maintenance and ordinary maintenance. Now look how rulers of people are required to assure ordinary maintenance. I think we can do a cost-benefit analysis.

Who is paying for this? Ordinary people. Now, we have to find a measure of policy most appropriate to assure this transfer in order to preserve values. They are values for everybody. The measure can be settled, by labeling local products. Tickets can show you who goes into a place. But you can't have tickets to go into the forest. We know it is not possible to measure policy precisely because you have to control for everything, and you can't.

Transfer of property rights: The true imposition. Parks that prevent local people from doing certain things and so on. I don't know, but we could study this measure. The easy answer of the multifunctionality debate is let's give farmers money related to what they produce. That means at the end of the story 62 families in Andalusia are getting 80 percent of the funds for olive trees. Are they the marginal farmers that are assured the ordinary maintenance of the small roof in the small church in the small valley? This is the point.

Mr. Rosenfeld: I would like to comment on the urban-rural relationships between networks and clusters, because I think they are implicit in what we are trying to do—we are trying to overcome isolation. You obviously don't have all the resources and expertise you need in rural areas and you have to make connections. If a rural network wants to get into export markets, it may need the freight forwarders in the urban areas, in the cities, or the consultants from the marketing firms. So there is a connection.

And the other kind of connection you get is from networks in rural areas that are in some ways satellites out of urban networks. The hosiery industry is really well networked in North Carolina and has a center in Hickory—a metro area although it is not a big city—yet there are satellite clusters of hosiery manufacturers around Mount Airy and Randolph County, large enough so they actually created a satellite technology center at Randolph Community College.

We did a study recently of the connections between auto suppliers outside of the Nashville metro area that were connected to the auto industry inside Nashville. There were clusters usually along interstates. They were clustered in rural areas but really connected to the urban clusters.

Mr. Martin: There is one thing I wanted to add about the question earlier about the characteristics of brokers. In the United Kingdom they have a special program that trains network brokers. They require them to take a personality test before they can become certified.

Mr. Barkema: Another set of questions?

Marcie McLaughlin, *Minnesota Rural Partners:* My organization is helping to host the Duluth conference that was mentioned earlier this morning. I am taking great notes to figure out how we are going to move this forward. Two pieces I'd like to add to the discussions: Certainly agriculture is part of rural, but there are other natural resource components, including forestry, fishing, mining, etc. In the absence of that being part of the discussion, I don't know if we are getting the full range of possibilities for rural areas.

The other is: I live in a small community in rural Minnesota. As value is being added to agricultural products, processing plants continue to increase, which of course makes us connected to the globalized world. We need to be very aware of the new immigrants and refugees who come into workplaces, not only in Minnesota but throughout the nation. So, in this discussion about revitalizing rural areas, we want to keep that as part of the many things we need to deal with.

Richard Wakeford, *The Countryside Agency:* What Mario said about the south coast of Spain having been overcome by tourism, we'll see the same thing in Lancaster County, Pennsylvania, where so many visitors from the urban area completely

destroying the thing that they used to go for, and now they go for outlet malls rather than to commune with the Amish or whatever it was that started the process. I was fascinated by the Center's summary of the states of U.S. rural policy. It seems to me, in most respects, that you could go through and delete the word "U.S." and put "United Kingdom" in. I don't know so much about this matter as Mario about other nations of Europe, except that there is this special category of size in the United States that you discover when you try flying from Chicago to Kansas City. Or rather, when you try driving from Chicago to Kansas City, and you discover it will take 11 hours and it's just a small flight through the country. In the United Kingdom, if you should drive for 11 hours, even if you start at the bottom, you will fall off at the top.

So, my question is this: It is not a question for Mario, but a question to the other two panelists, because in that framework this morning there is that section which is called "sparsely populated." In the emphasis on rural amenities, I think that there are areas in the United States with high rural amenities. The Ozarks is an area, for example, where there is high rural amenity and you have incomers there. There is a tract of areas on the urban periphery. But there is a vast amount of rural United States where it is actually quite difficult to see where amenities are going to come, and where land is sparsely populated and relatively recently developed—and actually developed in the same way across the whole nation in a way you can only see from an airplane. So, I think the approach that focuses on rural amenities and urban peripheries is very persuasive. I wish I could see an alliance between the United States and the European Union, in order to shift that chart, as Mario shifted it at the end.

My question is, Are we being realistic here? Or are we really here in the United States in a nation where there is much less concern about where food comes from, or whether it is part of a regional economy? There is much less concern about the basic ingredi-

ents that go into a product—this is a country where more food is consumed out of boxes or in the catering industry. We know where that lunch came from here, in terms of whether it was sourced locally or where it came from. Are we deluding ourselves? The question is not to Mario, but the question is to the North Americans on the panel.

Mr. Barkema: We have two questions on the floor. The first is whether, when describing a shift in rural policy from agriculture to other broader rural issues, does that conversation sometimes leave out much of other kinds of natural resource activity that is taking place in rural places—natural resource activities such as forestry and fishing? Also, Larry, as the kind of structural shift that you were describing takes place, are some new social issues arising in many rural areas? Are there issues that go to the integration of a new entry-level work force that is moving into many rural places to man the new processing plants and the like?

The latter question, I think, is a bit more broad-based. Essentially, as I read it, Does consumption of rural amenities destroy the very things that have value in some places? And, second, how does a country as vast as the United States build on rural amenities in sparsely populated areas? And third, in this country, has the population been concerned about where the food in the box comes from?

Mr. Martin: In my experience—and you may not be thinking about the same thing I am—but in my work in Canada we have had a huge influx of immigrant populations working in our agricultural industries, all the way from farming through meat processing plants and so forth. It has to be taken into account, because you have all of the same cultural differences that I am sure Mario has to work with at the OECD happening in the plant out there. Things have to be in multiple languages and so forth. It has to be part of what you worry about. It just goes without saying.

Mr. Rosenfeld: It is a challenge right now for U.S. community colleges and they are beginning to recognize that. Dealing with diversity, where they have multiple populations, used to happen just in the cities, but now it is a challenge even in the rural areas. We had a Ford Foundation-sponsored meeting about three months ago to talk about issues that colleges might want to address collectively. The number one issue that came up in mostly rural colleges was about dealing with so many different languages in immigrant populations.

Mr. Barkema: Let's move to the second question on scenic amenities in remote locations.

Mr. Martin: Two quick reactions went through my mind. One is that we actually have a Mennonite community not very far from where I live in Ontario that is sort of like the one in the Lancaster community. A number of the Mennonites have left because of the number of tourists. So we are having that problem already. The other side of this is, if you think there is a question about rural amenities driving from Chicago to Kansas City, try driving from Winnipeg to Edmonton. There is nothing out there.

I don't know about the delusion part. I think it is such a heroic issue that I don't even know how to think about it. What would we do? We have done a bit with hunting preserves, fishing preserves where there are lots of water, and so forth. But you can only have so many farm vacations after that. It doesn't appeal to a lot of people. A friend of mine from Saskatchewan

once said, "The best thing to do in Saskatchewan is to turn it into a drag strip." I have no idea what to do with that area from the perspective of rural amenities. I just don't. It is a major problem.

Mr. Rosenfeld: Some of the early work in the Australian network program was all really about amenities, about developing bed and breakfasts and tourism. Tourism is an activity that you can say is nonsectoral, but some places are considered a sector and dealt with that way. Tourism has created a niche in a local area, but I'm not sure you can do that everywhere.

On the question of whether people care about where their food comes from, I don't know. All I have are my observations and maybe Carrboro, which we call the Paris of the Piedmont, which is not a good example. I do know that there the local foods are very important. I went to the food coop on Saturday. I got there at 7:30; I couldn't find a parking spot. These small sort of grocery stores like Whole Foods are huge lines now. They are the fastest growth stores in our area. I think some people care. Maybe as a population we don't.

Mr. Barkema: Thank you, Gentlemen. This brings us to the close of our first day of the conference, which, I think you will agree, has been very rewarding. I encourage you to continue the engaging dialogue we have enjoyed both this morning and this afternoon at our reception and at dinner this evening. With no further ado, we are adjourned.