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A New Twist to Regional Economic Development

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Cornhusker Economics

Cooperative Extension

Institute of Agriculture & Natural Resources
Department of Agricultural Economics
University of Nebraska – Lincoln

A New Twist to Regional Economic Development

Market Report	Yr Ago	4 Wks Ago	12/6/02
<u>Livestock and Products,</u>			
<u>Average Prices for Week Ending</u>			
Slaughter Steers, Ch. 204, 1100-1300 lb Omaha, cwt	\$65.68	\$68.18	\$73.03
Feeder Steers, Med. Frame, 600-650 lb Dodge City, KS, cwt	89.12	84.09	84.31
Feeder Steers, Med. Frame 600-650 lb, Nebraska Auction Wght. Avg	92.01	85.64	91.82
Carcass Price, Ch. 1-3, 550-700 lb Cent. US, Equiv. Index Value, cwt	105.03	102.92	111.98
Hogs, US 1-2, 220-230 lb Sioux Falls, SD, cwt	33.50	29.00	33.00
Feeder Pigs, US 1-2, 40-45 lb Sioux Falls, SD, hd	41.00	29.50	27.50
Vacuum Packed Pork Loins, Wholesale, 13-19 lb, 1/4" Trim, Cent. US, cwt	95.10	81.21	84.60
Slaughter Lambs, Ch. & Pr., 115-125 lb Sioux Falls, SD, cwt	55.00	*	89.45
Carcass Lambs, Ch. & Pr., 1-4, 55-65 lb FOB Midwest, cwt	125.88	158.81	164.26
<u>Crops,</u>			
<u>Cash Truck Prices for Date Shown</u>			
Wheat, No. 1, H.W. Omaha, bu	3.05	4.39	3.98
Corn, No. 2, Yellow Omaha, bu	1.95	2.26	2.26
Soybeans, No. 1, Yellow Omaha, bu	4.27	5.45	5.48
Grain Sorghum, No. 2, Yellow Kansas City, cwt	3.66	4.47	4.57
Oats, No. 2, Heavy Minneapolis, MN, bu	2.23	2.11	2.12
<u>Hay,</u>			
<u>First Day of Week Pile Prices</u>			
Alfalfa, Sm. Square, RFV 150 or better Platte Valley, ton	115.00	150.00	150.00
Alfalfa, Lg. Round, Good Northeast Nebraska, ton	77.50	80.00	80.00
Prairie, Sm. Square, Good Northeast Nebraska, ton	105.00	115.00	117.50
* No market.			

Regional collaboration has always sounded like a good idea. The challenge was that it was hard to implement.

From a business perspective, it was easier and more cost effective to make adjustments to your own business plan without asking for added input from other regional businesses, agencies and institutions. When times are good, you have the luxury of working independently. However, when you are faced with a general downturn in the economy and increased global competition, as many of the business sectors are today, you look hard for other ways of increasing efficiency. Some methods that could be explored may include old ideas with a new twist.

Cluster based regional economic development is a framework currently being advocated by the U.S. Economic Development Administration (EDA). This fall the EDA hosted a national satellite downlink that shared a decades worth of experience at the local and regional level using the results of various case studies from across the U.S.

Cluster based economic development is essentially a tool for development based on the recognition that healthy regional economies are composed of industry clusters that include their supporting economic infrastructure. In practice, it is a holistic, regional community approach to business development from an asset based perspective.

What are Industry Clusters?

Basically, the cluster is built around core export oriented businesses, those entities that produce a good or service that is primarily purchased outside of the region. These industries are the focus because they bring in new wealth to the region and can really help drive the area's economic growth.

The clusters may have vertical or horizontal linkages and usually involve strong supplier and buyer relationships as well as relying on similar community based economic infrastructure. The goal is to create a regional "collaborative



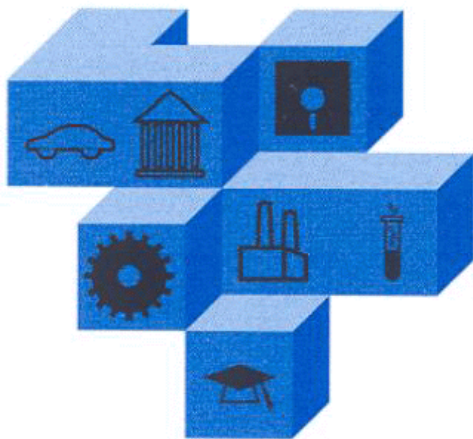
advantage” where buyers and suppliers work with each other to use proximity and economies of scale to improve innovation and access to markets.

Why Is Regional Infrastructure Important?

The success of this effort is based on the regional resources available that support the business community. These public or private entities often seem invisible to the business community and can be taken for granted. However, these economic inputs can be used collectively as a powerful springboard for economic activity. Some of these resources and their institutional counterparts include:

- Adaptable skills - secondary and post-secondary education.
- Accessible technology - various public and private partnerships.
- Adequate financing - financial institutions and their network outside of the region.
- Advance communications - technology access through public/private connections.
- Acceptable regulatory and business climate - public policy decision-making at the governmental level.
- Achievable quality of life - recreational, religious, educational, etc. entities.

Why Use This Approach?



Regions develop and adapt to economic changes based on a variety of local social, political and economic circumstances. As a tool, the cluster framework is helpful because it is:

- Market-Driven - focusing on the “pull” of the market to bring the supply and demand components together to work more effectively.
- Inclusive - all business, both small and large, can be brought into the process as well as the components of the economic infrastructure.
- Collaborative - using the talents and expertise of a larger group to help problem solve regional issues while using the market-driven motivation of self-interest.

- Strategic - participants emerge as stakeholders in a much larger vision of their region with individual and institutional “buy-in” from the beginning.
- Value-Creating - improving potentially the breadth (attracting more industries) and depth (more suppliers) to help grow regional income.

How Does It Work?

Based on the EDA’s research, successful regional efforts typically go through a four stage process:

Stage I: Mobilization - Economic challenges are often used as windows of opportunity to bring various groups together.

Stage II: Diagnosis - Usually an outside analyst is used who identifies regional advantages and challenges and can “tell it like it is.”

Stage III: Collaborative Strategy - A highly inclusive effort to bring various group’s together that are market driven.

Stage IV: Implementation - Often a new or existing organization is identified that will spearhead and carry the initiative.

What Are the Results?

Often economic development is an isolated activity. Cluster-based regional development engages a much larger group of businesses and helps to link education providers



with workforce managers, match financial investors with new or existing enterprises, shape physical infrastructure to meet industrial needs, connect technology providers with users, and brings housing, health, and social service providers together under the umbrella of industry/cluster needs.

According to the U.S. Economic Development Administration, this is an idea whose time has come.

References:

Information Design Associates with ICF Kaiser International (project #99-07-13789), Economic Development Administration U.S. Department of Commerce. *Cluster Based Economic Development: A Key to Regional Competitiveness*. October, 1997.

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