The Role of Rural Industry in Urban Places In Southeastern Idaho

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The fortunes of Idaho agriculture are effected by decisions made in Boise and Washington D.C. Decisions involving water use, grazing on public lands, the use of pesticides and fertilizers, land set asides, transportation, general economic development policy, and others can profoundly impact Idaho agriculture. Agriculture's interests will be appropriately represented to the extent decision makers understand the role agriculture plays in the Idaho economy.

Over the last four years the University of Idaho's Colleges of Forestry and Agriculture have been building a comprehensive model of the Idaho economy that portrays the specific role of agriculture, and other industries, in the State's economy. In this report we use the modeling now in place to examine a facet of Idaho's economy important to agriculture and other primarily rural Idaho industries, the role of rural industries in Idaho's urban places. This paper focuses particularly on southeastern Idaho.

The Determinants of Regional Prosperity and Wealth

The first principle of economic development is that the wealth of regions depends on income from outside. Outside income accrues to a region's basic industries, export industries who's sales are primarily non-residentiary. The outside income of basic industries builds regions. Non-basic industries, catering to residentiary needs, are drawn to the region by the market opportunities basic income provides. Non-basic industries fill out regions and thus complete the regional economic development process.

Economic development takes on a subtle yet important twist when viewed in the context of rural and urban subregions. As agglomerations of both people and businesses, cities provide industry with markets for both inputs and outputs. But cities differ in important ways in their economic relationship with the surrounding countryside. Cities in southeastern Idaho are unique: their surrounding countrysides tend to be at the same time relatively undeveloped in terms of commercial infrastructure, yet rich in rural industries such as agriculture, food processing and mining.

The combination of undeveloped infrastructure and rich rural industry means that southeastern Idaho cities derive a much larger portion their income from the countryside than other cities, for example in Utah, where the countryside is more developed in terms of small towns, or Nevada and Wyoming where, relative to southern Idaho, the countryside lacks rural industry. In the next section we examine the manner in which this combination of circumstances plays out in the southeastern Idaho economy. We examine the sources of income in southeastern Idaho's core cities of Rexburg, Rigby, Idaho Falls, Blackfoot, and Pocatello, and how this income is linked to economic activity in the countryside.

The Relationship Between Urban and Rural Wealth in Southeast Idaho

Retail trade and service industries have market reach. The market reach of a neighborhood convenience store is limited to the neighborhood. On the other hand, the market reach of a shopping mall or regional hospital may extend well beyond the city limits over several counties. The market reach of these regionally-serving industries constitutes the market reach of the city.

Figure 1 displays the approximate market reach of Idaho's dominant trading centers. Boise's market reach extends to the west into southeastern Oregon, and north to the Salmon River Gorge. North Idaho is trade dominated by Spokane, Washington. Idaho Falls is dominant in southeastern Idaho, with a market reach that extends well into Lemhi County, Idaho and Teton County, Wyoming. To the south, in Bear Lake, Oneida, and Franklin Counties, Idaho Falls' market dominance is overshadowed by Salt Lake City's. The economic boundaries of Figure 1 were developed by the U.S. Department of Commerce, Bureau of Economic Analysis.

Figure 2 presents a finer breakdown of southeastern Idaho's economic boundaries. Twin Falls is recognized as a dominate trade center, with a market reach covering all of Magic Valley north to Galena summit. Magic Valley is in turn trade dominated by Idaho Falls, Boise, and Salt Lake City.

Our economic model of Idaho indicates the gross income of subregions according to the location of generating economic activity. Table 1 presents a breakdown of gross regional income for the subregions of Figure 2. Rows show the gross income of subregions as explained by economic activity in other subregions. Row sums show the total gross incomes of subregions. Table 2 presents this same information in relative, percentage terms.

For example, the southeast Idaho "core," defined as the collective urban economies of Rexburg, Rigby, Idaho Falls, Blackfoot, and Pocatello, have a gross regional income of $2,209 million. Of this, $497 million, or 22.5%, is economically determined by the agriculture and other rural industry in the southeastern Idaho "periphery," i.e., areas outside the urban economies just listed in southeastern Idaho as defined in Figure 2.

Economic activity in Magic Valley, including Twin Falls, explains another $295 million, or 13.4%, of the southeastern Idaho core's gross income. Magic Valley also explains economic activity in Boise and Salt Lake City, not shown in Table 1. Finally, economic activity in Teton County, Wyoming explains $41 million, or 1.8%, of the southeastern Idaho core's gross income.

Southeastern Idaho core communities have income sources independent of the surrounding countryside. The Idaho National Engineering Lab, whose wages accrue to workers many of whom live in core communities, provides core income. There is also food processing, tourism, and federal government activities to name a few. As indicated in Table 1, these other income sources collectively account for $1,375, or 62.3%, of southeastern Idaho core community gross income. This means that 37.7% of all southeastern Idaho core community income is attributable to sales to dominated subregions.

The implications of urban dependence on rural industry is highlighted in Table 3. The table is formed by dividing cell elements of Table 1 by column sums. Table 1 column sums indicate total income generated in the larger southeastern Idaho economy including Teton County, Wyoming, and the Magic Valley.

Exports of southeastern Idaho core communities generate income in core communities alone, and thus 100.0% appears in the core-core box of Table 3. In contrast, only 71.7% of the broader regional income generated by economic activity in the southeastern Idaho periphery accrues to business and residents of the periphery. The remaining 28.3% "spills over" into the core communities as peripheral businesses and other consumers purchase business inputs and consumer goods at core communities. Spillovers to southeastern Idaho core communities are also indicated for Teton County, Wyoming and the Magic Valley as shown in Table 3. In the case of the three southern most southeastern Idaho counties, 100% of their broader regional income accrues to business and residents in these counties. The spillover links of these three Idaho counties are to Salt Lake City, Utah.

Table 1
Subregional Income by Origin of Generation
(Millions of 1987 Dollars)

	Core	Perf	TriCo	Teton	Magic	Total
Core	$1,375	$497		$41	$295	$2,209
Perf		1,258				$1,258
TriCo			$125			$125
Teton				$270		$270
Magic					$2,018	$2,018
Total	$1,375	$1,755	$125	$311	$2,313	

Table 2
Percentage of Subregional Income by Origin of Generation

	Core	Perf	TriCo	Teton	Magic	Total
Core	62.3	22.5		1.8	13.4	100.0
Perf		100.0				100.0
TriCo			100.0			100.0
Teton				100.0		100.0
Magic					100.0	100.0

Table 3
Interregional Spillovers by Origin of Income Generation

	Core	Perf	TriCo	Teton	Magic
Core	100.0	28.3		13.1	12.8
Perf		71.7			
TriCo			100.0		
Teton				86.9	
Magic					87.2
Total	100.0	100.0	100.0	100.0	100.0

Figure 1. Economic and political boundaries of THE INTERMOUNTAIN WEST.

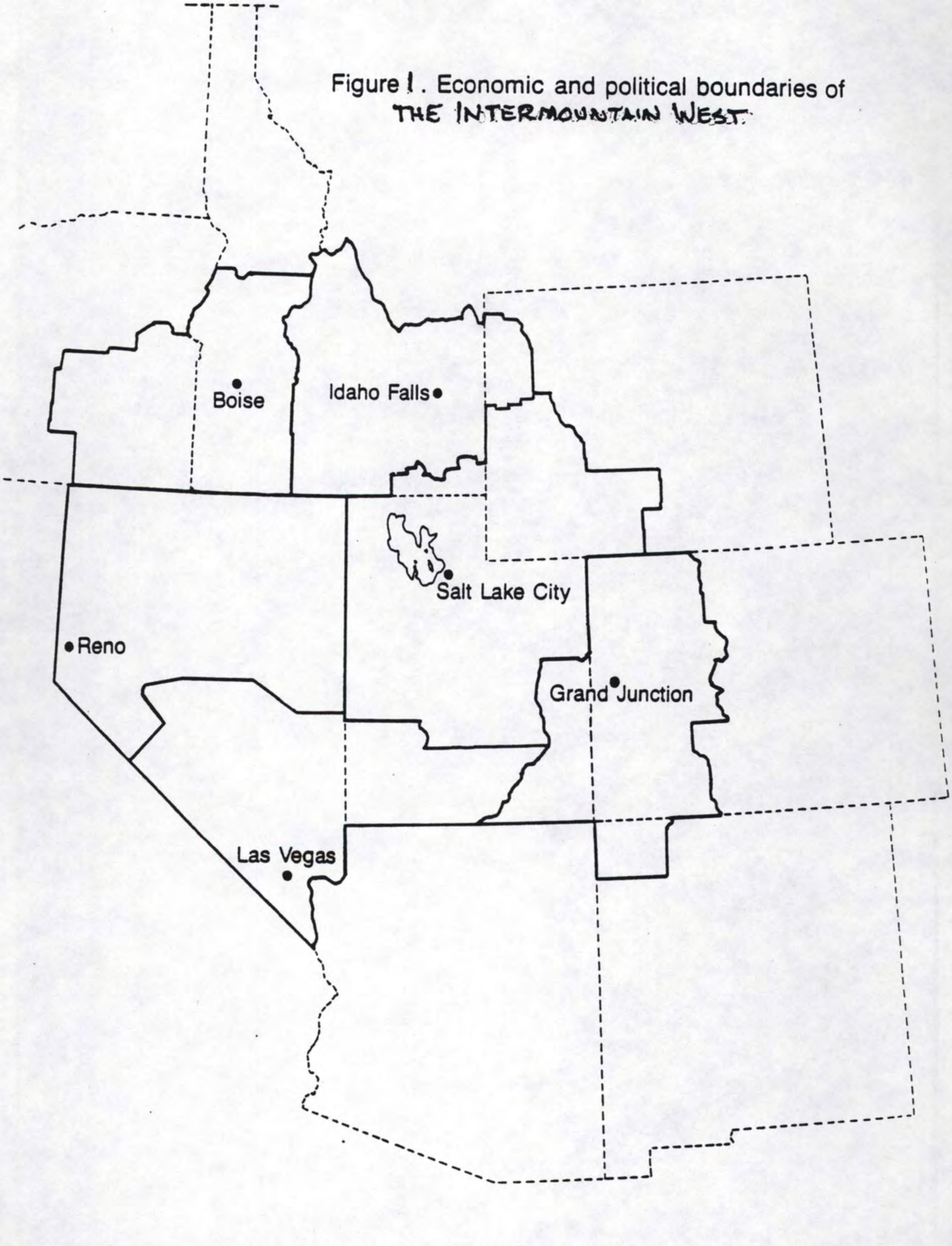

Figure 2

Salt Lake City/Idaho Falls Trade Area