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Fact Sheet for Congressional Requesters

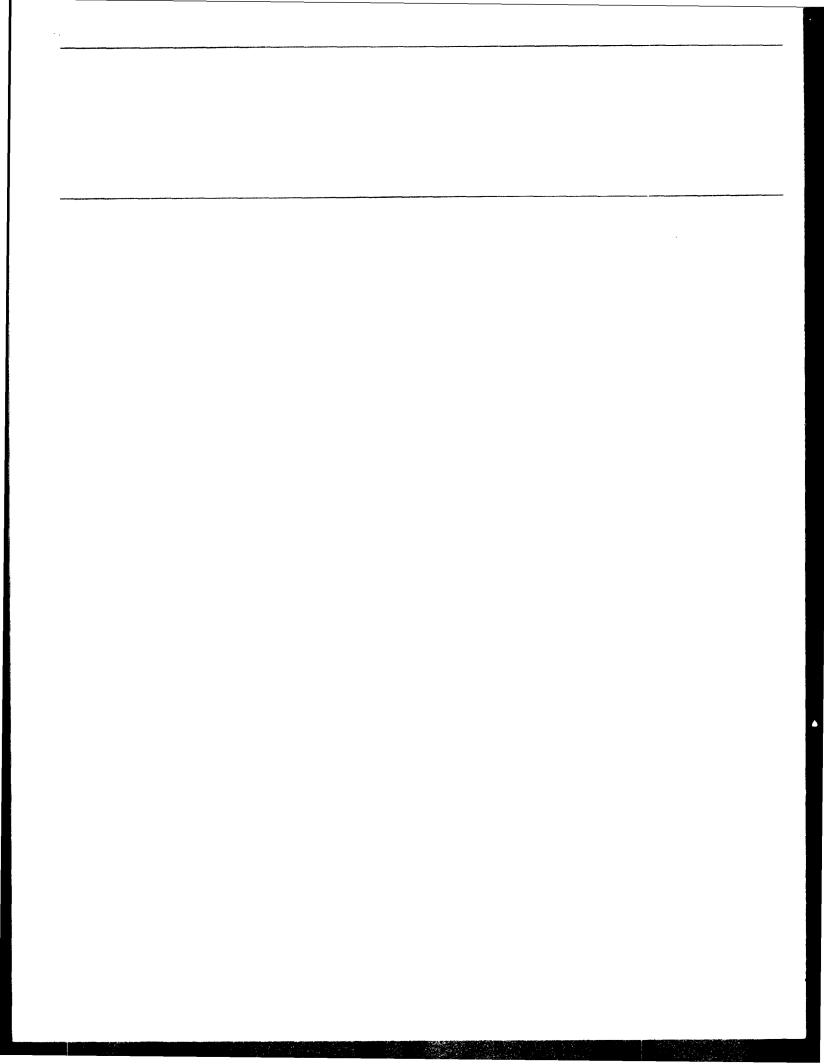
April 1993

RURAL DEVELOPMENT Profile of Rural Areas





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United States General Accounting Office Washington, D.C. 20548

Resources, Community, and Economic Development Division

B-251242

April 29, 1993

The Honorable Patrick J. Leahy Chairman The Honorable Richard G. Lugar Ranking Minority Member Committee on Agriculture, Nutrition, and Forestry United States Senate

The Honorable Thomas A. Daschle United States Senate

This fact sheet responds to your December 5, 1991, request that we develop a demographic and economic profile of rural areas on the basis of existing data sources. More specifically, it provides information on (1) trends in the population and age of persons in nonmetropolitan counties, (2) trends in nonmetropolitan per capita income and employment, and economic activities in nonmetropolitan areas; and (3) the geographic distribution of farm program payments.

Except as noted, data were analyzed according to metropolitan/nonmetropolitan (metro/nonmetro) county classifications as defined by the Office of Management and Budget (OMB). In summary, we found the following:

- The nation's rural population is declining as a percentage of the overall national population. In 1930, the rural population was 53.8 million (43.7 percent of the total U.S. population); in 1990, the rural population was 61.7 million (25 percent of the total population). Fifty-four percent of the nation's nonmetro counties saw a decline in population during the 1980s.
- Nonmetro per capita income has been consistently lower than metro per capita income for over two decades, and from 1980 until mid-1992, nonmetro unemployment rates have been consistently higher than metro unemployment rates.
- Farming is no longer the primary economic activity in most nonmetro
 areas, although it remains a significant source of earned income. Although
 a variety of criteria may be used in defining a county's primary economic
 activity, we defined it as an industry that provides 20 percent or more of a
 county's labor and proprietor (earned) income. By this definition, in 1988,

¹This comparison is based on a Bureau of the Census classification of urban and rural areas rather than OMB's because OMB's standard definition of metropolitan statistical areas was not issued until 1949.

farming was a primary economic activity in only 22 percent of nonmetro counties. In contrast, manufacturing was a primary economic activity in 40 percent of nonmetro counties; federal, state, and local government enterprises were a primary economic activity in 31 percent of nonmetro counties; and mining was a primary economic activity in 4.5 percent of nonmetro counties.

• Farm program payments (direct program payments to farm operators, excluding institutional recipients and nonoperator landlords, and excluding benefits from programs that support market prices) are widely distributed geographically. Ninety-four percent of all nonmetro counties have farms that received some of the total \$9.6 billion in farm program payments in 1987 (the most recent available data). However, about 50 percent of all government payments went to 313,000 farms concentrated in the upper Midwest. In addition, 18 percent of the total farm program payments in 1987 were received by farmers in metro counties.

Section 1 of this fact sheet contains information on trends in the population of and median age in nonmetro areas. Section 2 contains information on trends in per capita income and employment, and primary economic activities in nonmetro areas. Section 3 contains information on the geographic distribution of farm program payments.

We obtained the information for this fact sheet from publicly available data from the Census of Population and Housing, 1990, and the Census of Agriculture, 1987, both prepared by the Bureau of the Census; and the Regional Economic Information System, prepared by the Department of Commerce's Bureau of Economic Analysis. Data on employment and unemployment were developed by the Bureau of the Census from the Bureau's Current Population Survey. We did not independently verify these data.

We discussed the information in this fact sheet with officials from the Agriculture and Rural Economy Division of the U.S. Department of Agriculture's Economic Research Service (ERS). These officials generally agreed with the information, stressing, however, that the analysis of economic activities can vary widely according to the criteria used to define a primary economic activity. In the past, ERS has used, and continues to use, different criteria for each economic activity. We have incorporated their comments where appropriate. For a complete

discussion of our methodology, see appendix I. For a discussion of the terms metro/nonmetro and urban/rural, see appendix II.

As arranged with your offices, unless you publicly announce its contents earlier, we plan no further distribution of this fact sheet until 15 days after the date of this letter. At that time, we will send copies to appropriate Senate and House committees, interested Members of Congress, and the Secretary of Agriculture. We will make copies available to others on request.

Please contact me at (202) 512-5138 if you or your staff have any questions. Major contributors to this fact sheet are listed in appendix III.

Sincerely yours,

John W. Harman Director, Food and

Agriculture Issues

Am Harman

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Abbreviations

BEA	Bureau of Economic Analysis
ERS	Economic Research Service
GAO	General Accounting Office
MSA	Metropolitan Statistical Area
OMB	Office of Management and Budget
SIC	Standard Industrial Classification
UA	Urbanized Area
USDA	U.S. Department of Agriculture

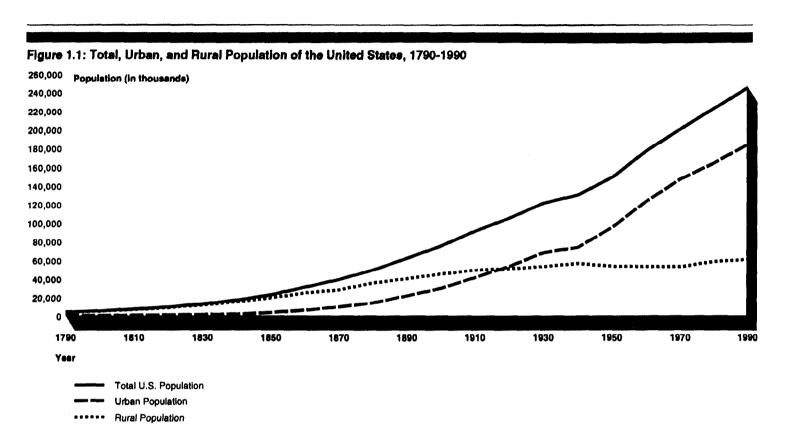
Trends in Population Size and Median Age

This section discusses both historical trends in population size and changes in median population age. The population in rural areas has grown at a much slower rate than in urban areas. Fifty-four percent of the nation's nonmetropolitan counties lost population during the 1980s. In both areas, however, the median age of the population has steadily increased.

Total, Urban, and Rural Population of the United States

As shown in figure 1.1, from 1930 to 1990, the U.S. population has more than doubled, from 123 million to 248.7 million. Most of this increase, however, took place in urban areas. The urban population first exceeded the rural population in 1920 and continues to grow at a much faster pace. Between 1930 and 1990, the urban population grew 171 percent, from 68.9 million to 187 million. For the same time period, the rural population grew only 15 percent—from 53.8 million to 61.7 million.¹

^{&#}x27;This comparison is based on the Bureau of the Census classification of urban and rural areas.



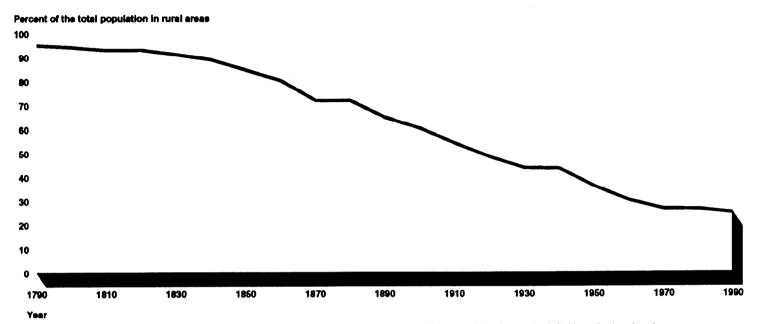
Note: This analysis is based on the Bureau of the Census's definition of urban/rural.

Source: Data are from the Statistical Abstract of the United States, 1992.

Rural Population as a Percentage of the Total U.S. Population The rural population has been declining as a percentage of the total population of the United States since the first census was taken in 1790. In 1790, 95 percent of the population lived in rural areas; in 1990, this figure dropped to 25 percent.² Although the percentage of the population living in rural areas has steadily decreased during the last two centuries, more than 80 percent of the total U.S. land area was designated as nonmetro in 1990.

This comparison uses the Bureau of the Census's definition of urban/rural.

Figure 1.2: Percentage of the Total U.S. Population Living in Rural Areas, 1790-1990



Note: This analysis is based on the Bureau of the Census's definition of urban/rural.

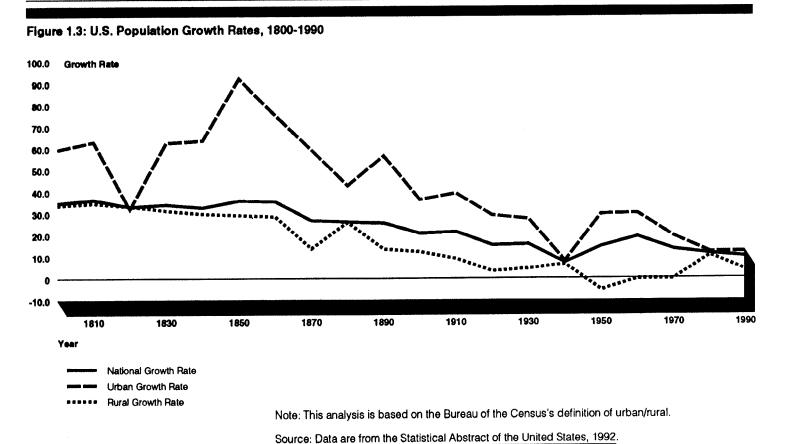
Source: Data are from the Statistical Abstract of the United States, 1992.

Population Growth Rates

Although the urban population did not exceed the rural population until 1920, urban population growth has outpaced rural population growth³ for each 10-year interval since the first Census of Population. The three exceptions to this trend were the decades ending in 1820, 1940, and 1980, when the rural and the urban population growth rates were nearly identical. For two decades (those ending in 1950 and 1960) rural population growth was negative as the total rural population declined.

중인 전투 연극하는 회사가

³Population growth rates are calculated on the basis of the 10-year intervals used in the Census of Population.



Median Age of the Population

The median age of the national population has been steadily increasing since 1820 except for a decline between 1950 and 1970, marking the effects of the baby boom era. There is little difference between the median ages of the nonmetro and metro populations, which in 1990 were 32.7 and 31.6, respectively. However, in nonmetro areas, the percentage of the population 60 years old or older comprises a greater percentage of the population than in metro areas. Nationally, 16.8 percent of the population is 60 years or older; in metro areas, 16 percent; and in nonmetro areas, 19.4 percent.

Figure 1.4: Median Age of the U.S. Population, 1820-1990

35 Median Age (yr.)

30

25

10

5

Source: Data are from the Statistical Abstract of the United States, 1992.

1910

1950

1970

1990

1830

Year

1850

1870

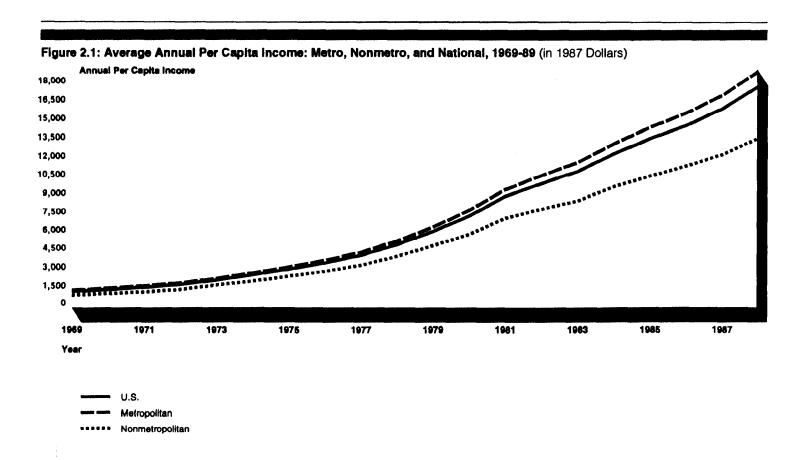
1890

Trends in Per Capita Income, Employment, and Economic Activity

This section provides information on economic conditions and activities in nonmetro areas. The data show that per capita income is lower, and until mid-1992, unemployment was higher in nonmetro areas compared with metro areas. The nonmetro economy, however, has become more diverse over time, as farming is no longer a primary economic activity in most nonmetro areas. For the purposes of this fact sheet, a primary economic activity of a county is defined as a sector of the economy that provides 20 percent or more of a county's labor and proprietor (earned) income. As defined, one or more industries in a county may be considered a primary economic activity. We recognize that other researchers use different standards in determining classifications which can result in different categorizations of counties. Business activities are classified according to the Standard Industrial Classification (SIC) Codes determined by the Office of Management and Budget (OMB).

Annual Per Capita Income

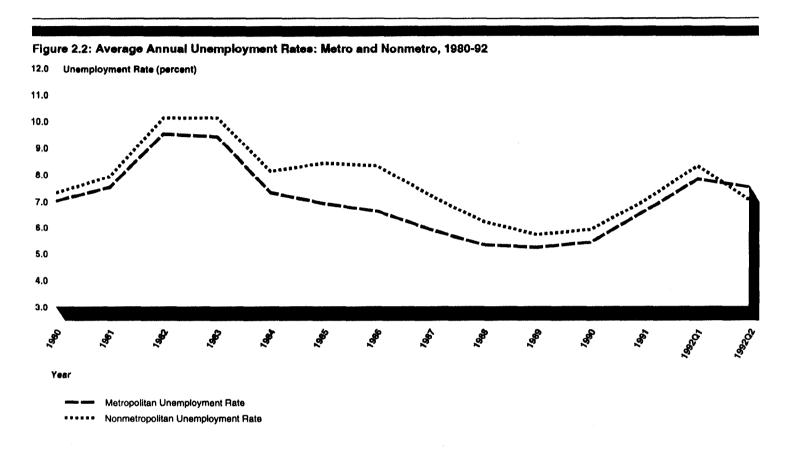
Nonmetro per capita income has consistently been lower than metro per capita income. The gap between the two is growing: in 1978, nonmetro per capita income was 77 percent of metro per capita income; in 1988, nonmetro per capita income was 72 percent of metro per capita income.



Source: Regional Economic Information System.

Average Annual Unemployment Rates

From 1980 until mid-1992, the unemployment rate in nonmetro areas was higher than in metro areas. The adjusted unemployment rate, which includes discouraged workers (those who are unemployed and no longer seeking employment) and one-half of the workers employed part time for economic reasons, remains higher than the metro rate. In 1986, nonmetro unemployment was almost 26 percent greater than metro unemployment.



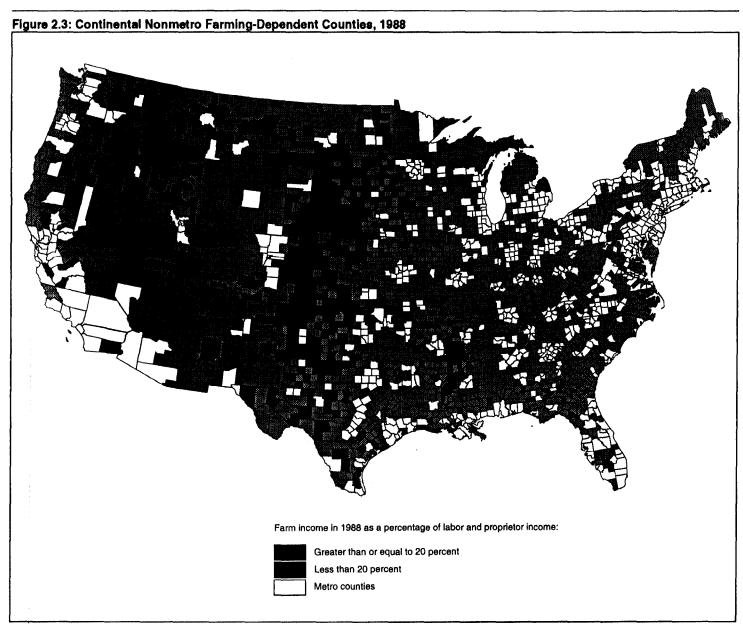
Source: U.S. Department of Commerce, Bureau of the Census, Current Population Survey.

Farming-Dependent Counties

While farming continues to play an important role in many nonmetro areas, it is no longer the primary economic activity for nonmetro America. About 3.9 million people—1.6 percent of the total U.S. population—lived on farms in 1990; this represented a decline of 31 percent since 1980. The total number of farms also continues to decrease, dropping 12 percent from 2.4 million farms in 1981 to 2.1 million farms in 1990. In 1990, farming accounted for less than 2 percent of the gross national product.

With the decline in the number of farms and farmers since the 1930s, the nonmetro economy has changed from one dependent on agriculture to one dependent on a number of different economic activities. In fact, the number of nonmetro counties with a substantial economic dependence on farming has decreased 26 percent since 1979. In 1988, only 22 percent of

nonmetro counties (516 of 2,349) relied on agriculture as a primary economic activity. The location of these counties is shown in figure 2.3.



Section 2
Trends in Per Capita Income, Employment,
and Economic Activity

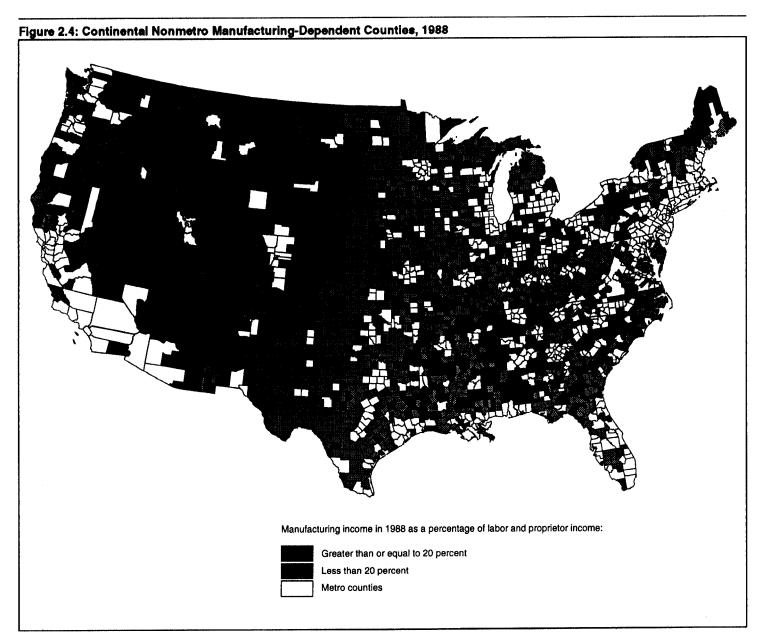
Other Sectoral Dependence

Some economic activities in nonmetro counties are listed in table 2.1. As figure 2.3 illustrated, agriculture is concentrated in the Midwest. Figures 2.4, 2.5, and 2.6 illustrate the geographic concentration of manufacturing, government-, and mining-dependent counties, respectively. Manufacturing, the dominant economic activity in nonmetro areas, is heavily concentrated in the South and eastern United States. Government (federal, state, and local) activities are more widely dispersed, with some concentration in the Southwest. Mining-dependent counties are more scarce, with some concentration in the Appalachian region and parts of the West.

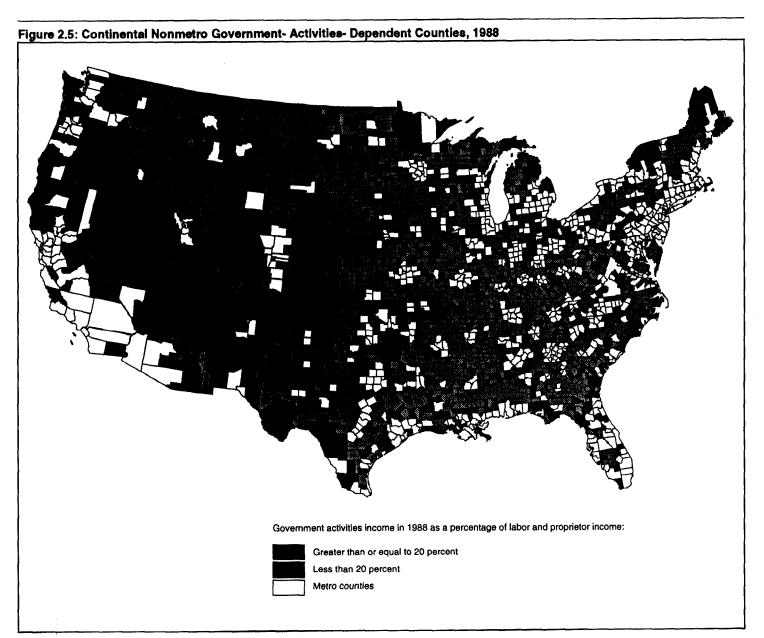
Table 2.1: Economic Activities in Nonmetro Counties, Except Agriculture, 1988

Business activity	Number of counties	Percentage of nonmetro counties	
Manufacturing	945	40.2	
Government activities	725	30.9	
Mining	105	4.5	

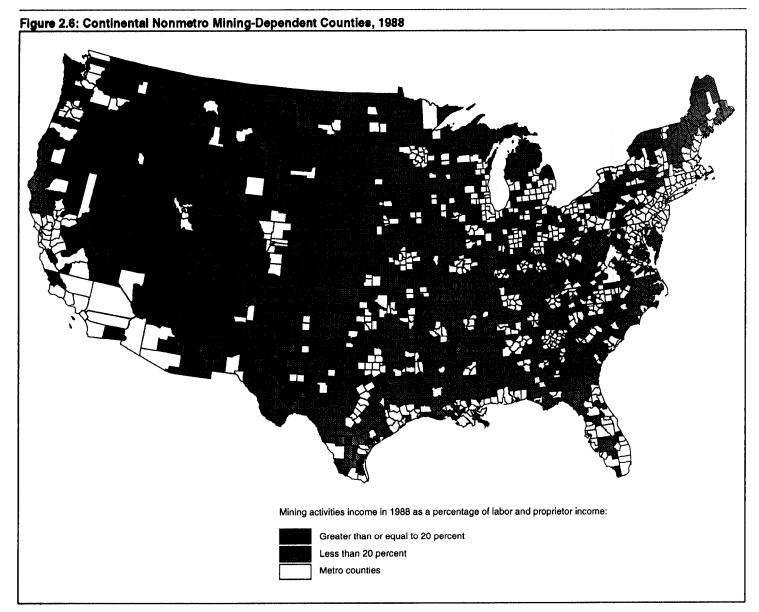
¹This category may be underestimated as some data on mining income were not reported because of concerns regarding data confidentiality.



Section 2 Trends in Per Capita Income, Employment, and Economic Activity



Section 2
Trends in Per Capita Income, Employment, and Economic Activity



Source: Regional Economic Information System.

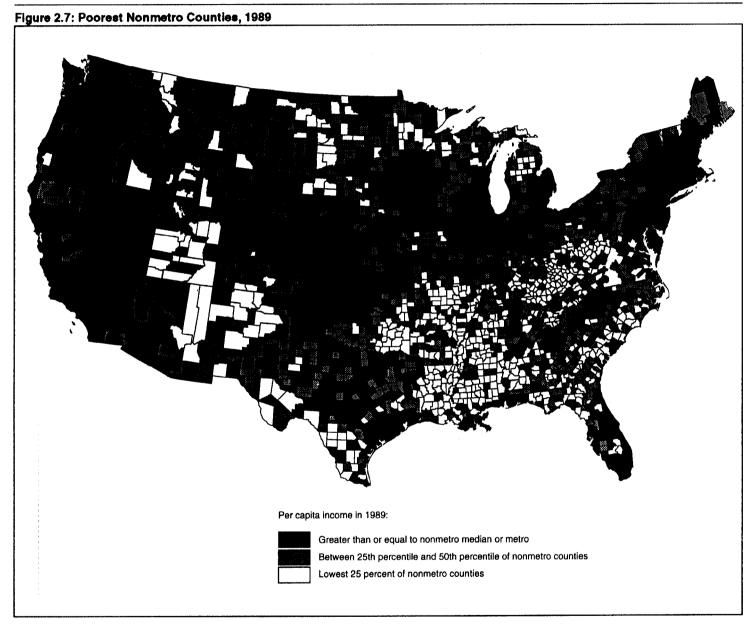
Poorest Nonmetro Counties

Nonmetro counties with the lowest per capita incomes 2 are shown in figure 2.7. These counties are clustered in the South and Appalachian regions.

 $^{^2\}mbox{Lowest}$ per capita income indicates the bottom 25 percent of counties when ranked by per capita income.

Section 2
Trends in Per Capita Income, Employment,
and Economic Activity

Farming is not a significant factor in personal income for these regions. Many of the poorest nonmetro counties are located where populations contain a high percentage of racial minorities.



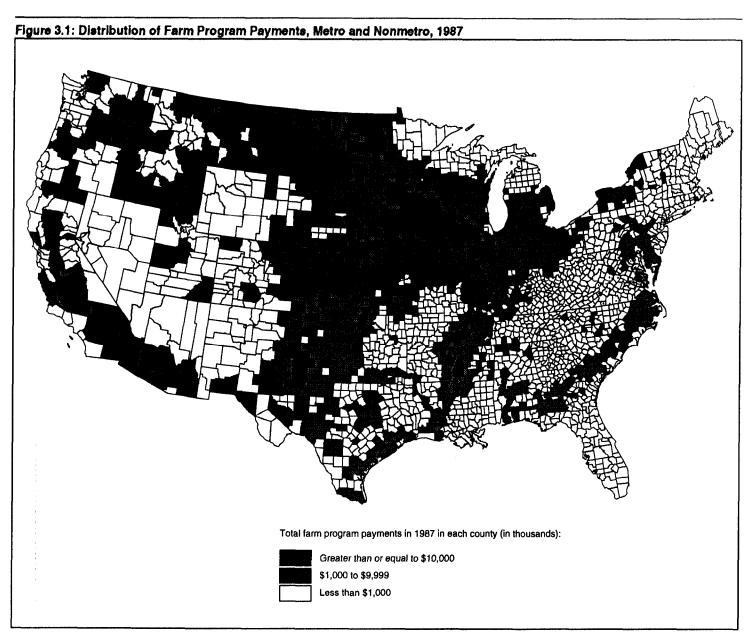
Distribution of Farm Program Payments

This section provides information on the geographic distribution of farm program payments. Farm program payments (government payments), as reported in the 1987 Census of Agriculture, include direct cash or generic commodity certificate payments received by the farm operator in 1987. This includes deficiency and diversion payments; wool payments; payments for the Dairy Termination Program, the Conservation Reserve Program, and other conservation programs; and all other federal farm programs under which payments were made directly to farm operators. They exclude payments to institutional recipients and nonoperator landlords. Farm program payments also do not include estimates of benefits from price support programs.

As defined by the 1987 Census of Agriculture, a farm was any place used for or connected with agricultural operations, under the day-to-day control of one individual or management, and that had, or normally would have had, \$1,000 or more in total value of sales of agricultural products during the year.

Distribution of Payments

Seventy-five percent of all nonmetro counties have farms that receive some farm program payments. In 1987, farmers received \$9.6 billion in farm program payments; farmers in seven states (Illinois, Iowa, Kansas, Minnesota, Nebraska, North Dakota, and South Dakota) received 50 percent of all government program payments. About two-thirds of all farms in these states receive farm program payments. These 313,000 farms account for 15 percent of all farms but 45 percent of all subsidized farms. The remaining 50 percent of farm program payments are disbursed among the other 386,000 subsidized farms in the remaining 43 states. According to Economic Research Service (ERS) demographers, less than 20 percent of the farms which received farm program payments in 1987 are located in farming-dependent counties. Figure 3.1 illustrates the distribution of payments across the nation.

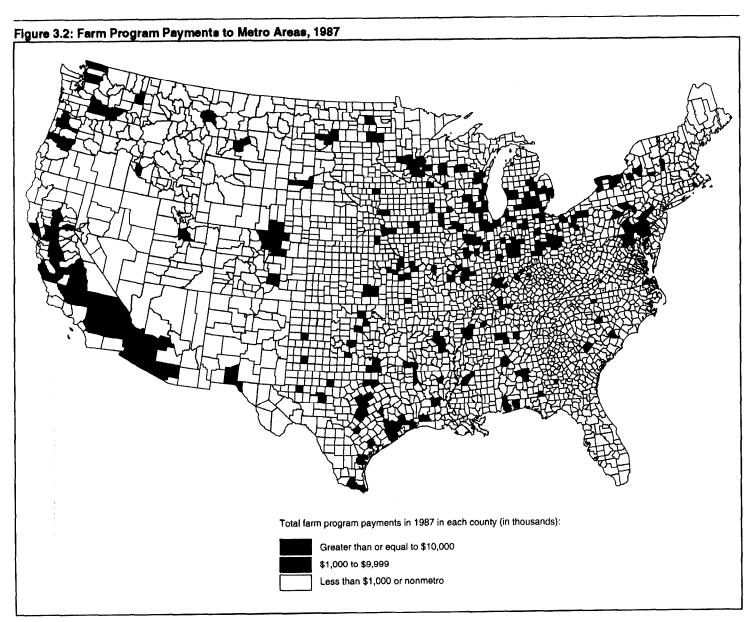


Source: U.S. Department of Commerce, Bureau of the Census, Census of Agriculture, 1987.

Payments to Metro Farmers

Farmers in metro areas receive 18 percent of all farm program payments (19 percent of the 698,986 subsidized farms are in metro areas.)

Seventy-one percent of the nation's 2.08 million farms are in nonmetro counties; 29 percent are in metro counties.



Source: Census of Agriculture, 1987.

Objectives, Scope, and Methodology

This fact sheet responds to the December 5, 1991, request of the Chairman and two members of the Senate Committee on Agriculture, Nutrition, and Forestry, that we develop a demographic and economic profile of rural areas on the basis of existing data sources. More specifically, this fact sheet provides information on (1) trends in population and median age in nonmetro counties (sec. 1); (2) trends in nonmetro per capita income and employment, and economic activities (sec. 2); and (3) the distribution of farm program payments (sec. 3).

We obtained the information for this fact sheet from the Census of Population and Housing, 1990, the Census of Agriculture, 1987, and the Current Population Survey, prepared by the Bureau of the Census; and the Regional Economic Information System, prepared by the Department of Commerce's Bureau of Economic Analysis (BEA). We did not independently verify these data.

Data were analyzed primarily according to metro/nonmetro classifications as defined by OMB, updated in 1990. For a discussion of the terms of metro/nonmetro, see appendix II.

The Census of Population and Housing, 1990, provided county-level data on total population counts and population by age group. Historical data on population size were obtained from <u>Historical Statistics of the United</u> States, Colonial Times to 1970.

County-level data on employment and unemployment are developed by the Bureau of the Census from the Current Population Survey. The Regional Economic Information System provided county-level data on labor and proprietor income and income by industrial sector. Business activities are classified by Standard Industrial Classification Codes determined by OMB. For the purposes of this fact sheet, a primary economic activity is defined as an economic sector that provides 20 percent or more of a county's labor and proprietor (earned) income. As defined, one or more industries in a county may be considered a primary economic activity. We recognize that other researchers may use different standards to classify a primary economic activity. In fact, the U.S. Department of Agriculture's (USDA) ERS uses a 5-year average of 20 percent for farming, 30 percent for manufacturing, 25 percent for government, and 20 percent for mining. These standards are based on means and standard deviations and identify counties in which a particular industry was more important than average. These standards may result in different county classifications from those presented here.

Appendix I Objectives, Scope, and Methodology

The Census of Agriculture provided county-level data on the number of farms and farm program payments. Farm program payments (government payments) include direct cash or generic commodity certificate payments received by the farm operator in 1987. This includes deficiency and diversion payments; wool payments; payments for the Dairy Termination Program, the Conservation Reserve Program, and other conservation programs; and all other federal farm programs under which payments were made directly to farm operators. (This does not include payments to institutional recipients and nonoperator landlords.) Farm program payments do not include estimates of benefits from price support programs. If these benefits were included, the number of farms receiving government assistance would be greater and the distribution of benefits might be different from what we have presented.

We selected counties as the basis for analysis for two reasons: the availability of a wide range of socioeconomic data on a county basis, and the available classifications of counties as metro/nonmetro.

The disadvantage of using a county-based definition is that some people will be omitted from rural policy consideration. For example, where counties are very large, as in the West, or where the metropolitan city is relatively small, there will be some communities within the boundaries of metropolitan counties in which land use and lifestyles appear more rural than urban. USDA estimates that about 43 percent of the 1990 rural population lives in OMB-defined metro counties.

We conducted our work between January and September 1992. We discussed the information in this fact sheet with USDA officials and have incorporated their comments where appropriate.

Definitions of Metro and Nonmetro Areas

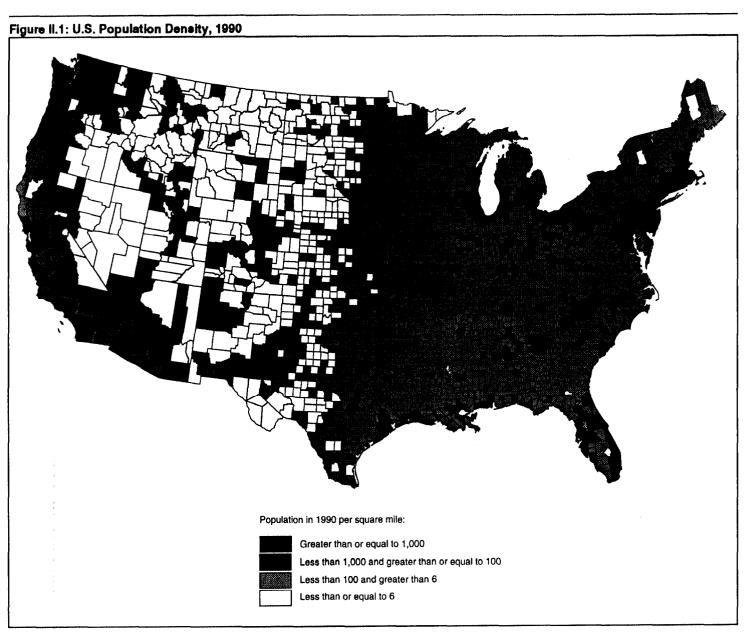
Metro/urban areas can be defined using several criteria. Once this is done, nonmetro/rural is then defined by exclusion—any area that is not metro/urban is nonmetro/rural. Determining the criteria used has a great impact on the resulting classification of areas as metro/nonmetro or urban/rural. The Census Bureau classifies 61.7 million (25 percent) of the total population as rural, omb classifies 55.9 million (23 percent) of the total population as nonmetro. According to the Census definition, 97.5 percent of the total U.S. land area is rural; according to the omb definition, 84 percent of the land area is nonmetropolitan. USDA/ERS estimates that, in 1990, 43 percent of the rural population lived in metropolitan counties.

A further problem with dichotomous definitions is that they permit classification into only two categories—metro/urban or nonmetro/rural. This cannot describe the metro/nonmetro continuum or the range of variation that exists in nonmetro areas. ERS attempts to overcome this limitation by further subdividing metro/nonmetro categories (see pp. 29 to 31). However, as with any definition, any broad generalizations about nonmetro conditions will not necessarily be representative for a subset of those areas.

For the purpose of illustration, the primary three definitions are presented here:

1. The Bureau of the Census defines an urbanized area (UA) by population density. According to this definition, each UA includes a central city and the surrounding densely settled territory that together have a population of 50,000 or more and a population density generally exceeding 1,000 people per square mile. A "county" is a political distinction and is not incorporated in the Bureau of the Census's classification scheme, so one UA may cover parts of several counties.

Under this definition, all persons living in UAs and in places (cities, towns, villages, etc.) with a population of 2,500 or more outside of UAs are considered the urban population. All others are considered rural. Figure II.1 illustrates the variations in population density.



Source: Department of Commerce, Bureau of the Census, Census of Population and Housing, 1990.

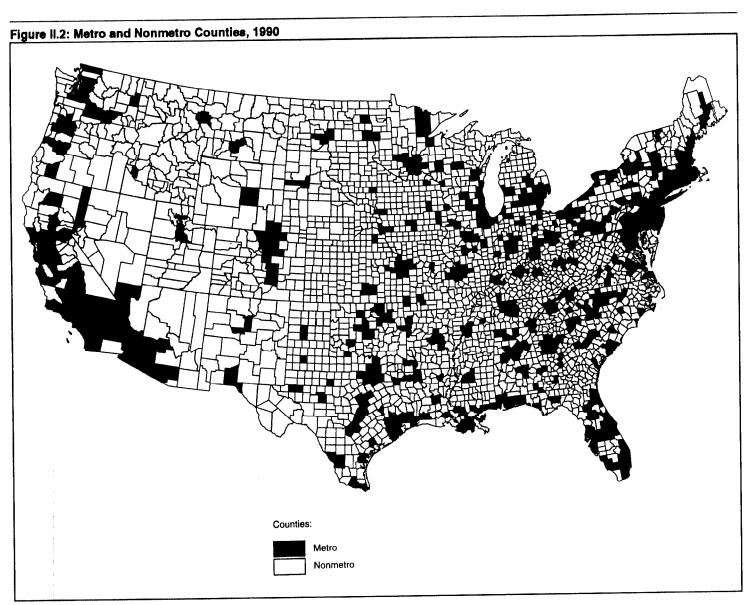
Appendix II Definitions of Metro and Nonmetro Areas

2. OMB designates areas as metro on the basis of standards released in January 1980. According to this definition, each metropolitan statistical area (MSA) must include at least

- one city with 50,000 or more inhabitants or
- an urbanized area (defined by the Bureau of the Census) with at least 50,000 inhabitants and a total MSA population of at least 100,000 (75,000 in New England).

These standards provide that each MSA must include the county in which the central city is located (the central county) and additional contiguous counties (fringe counties), if they are economically and socially integrated with the central county. Any county not included in an MSA is considered nonmetro.

OMB periodically reclassifies counties on the basis of Census data and population estimates.



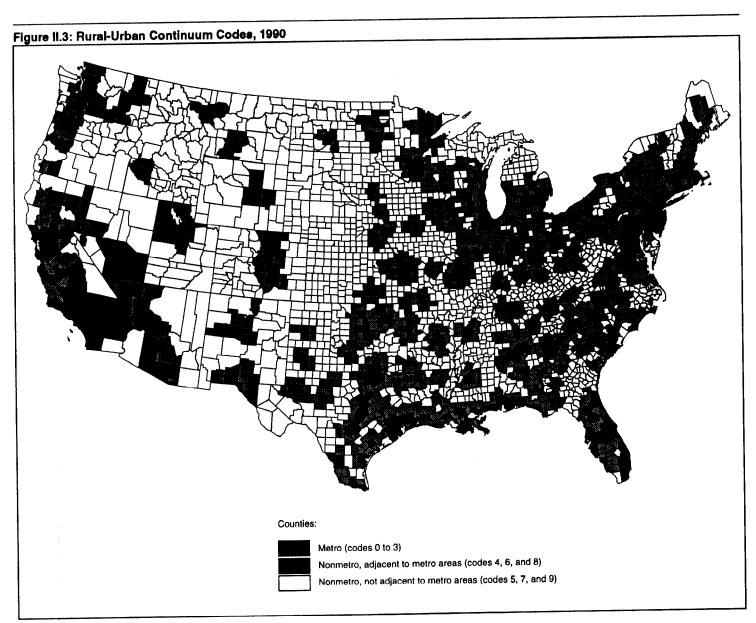
Source: OMB.

3. ERS uses rural-urban continuum codes to distinguish metro counties by size and nonmetro counties by their degree of urbanization or proximity to metro areas. USDA defines codes zero to 3 as metro, and 4 to 9 as nonmetro.

Table II.1: Rural-Urban Continuum Codes

Rural-urban	
continuum code	Definition
0	Central counties of metro areas with population of 1 million or more
1	Fringe counties of metro areas with population of 1 million or more
2	Counties in metro areas with population of 250,000 to 1 million
3	Counties in metro areas with population fewer than 250,000
4	Urban population of 20,000 or more, adjacent to a metro area
5	Urban population of 20,000 or more, not adjacent to a metro area
6	Urban population of 2,500 to 19,999, adjacent to a metro area
7	Urban population of 2,500 to 19,999, not adjacent to a metro area
8	Completely rural or urban population of fewer than 2,500, adjacent to a metro area
9	Completely rural or urban population of fewer than 2,500, not adjacent to a metro area

Source: ERS.



Source: ERS.

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