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The Economy of Agriculture and Rural America



The views expressed are those of the author and do not necessarily reflect the opinions of the Federal Reserve Bank of Kansas City or the Federal Reserve System.

Agricultural and Rural Economies

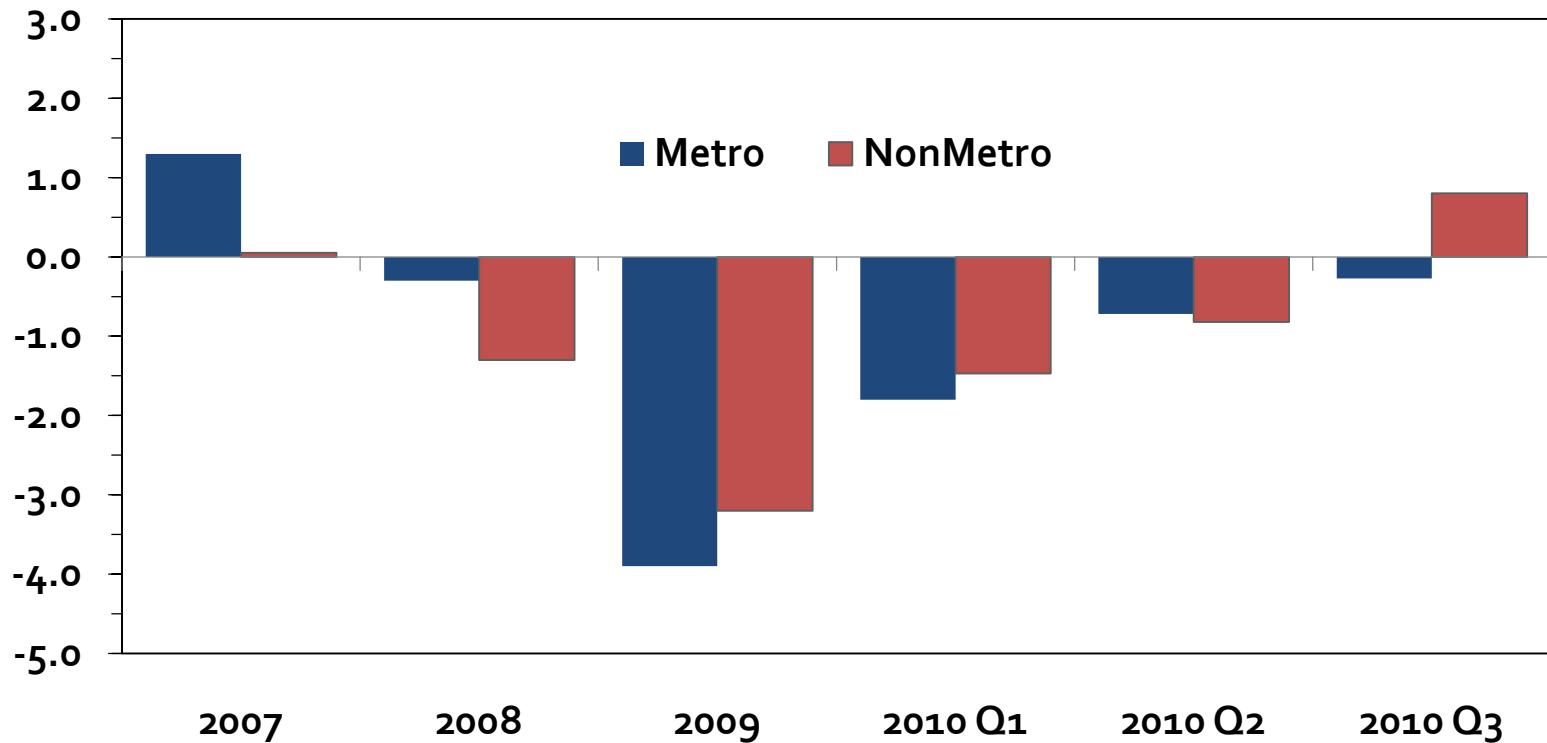
- Agricultural and Rural Economies Rebound in 2010.
 - In jobless recoveries, rural economies outpace metro peers.
 - Strong global demand for commodities boost rural business.
 - A temporary rebound in rural housing.



Rural America leads the recovery.

U.S. Employment Growth

Percent change from previous year

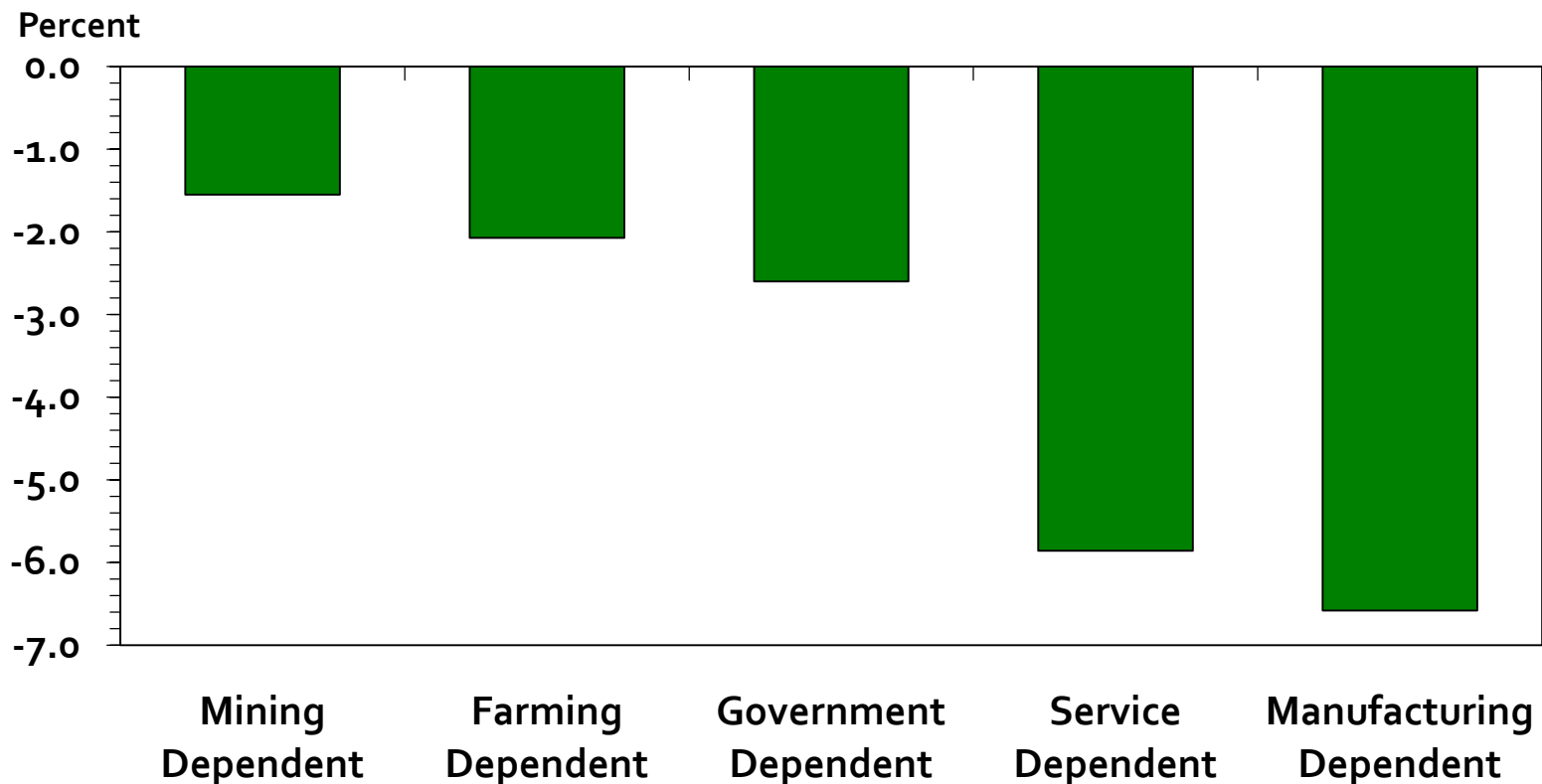


Source: Current Population Survey, U.S. Census Bureau



Stronger commodity markets have helped support rural economies.

U.S. Nonmetro Employment Growth by County Type
(Percent change from 2007:Q3 to 2010:Q3)

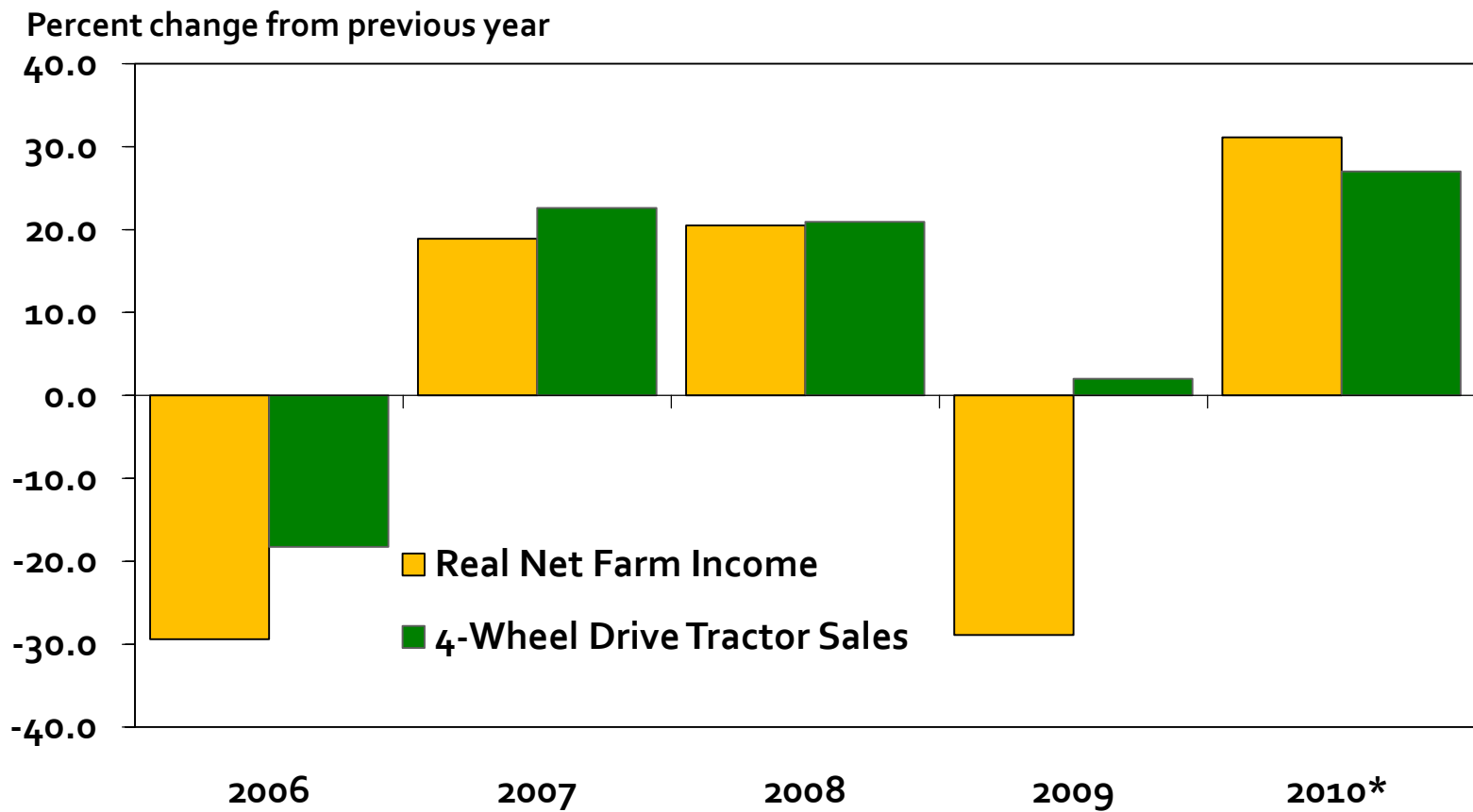


Calculations based on BLS, LAUS data and ERS, USDA definitions of farm, mining, and manufacturing dependent counties.



Stronger farm incomes boost agricultural equipment sales.

U.S. Real Net Farm Income and Agricultural Equipment Sales



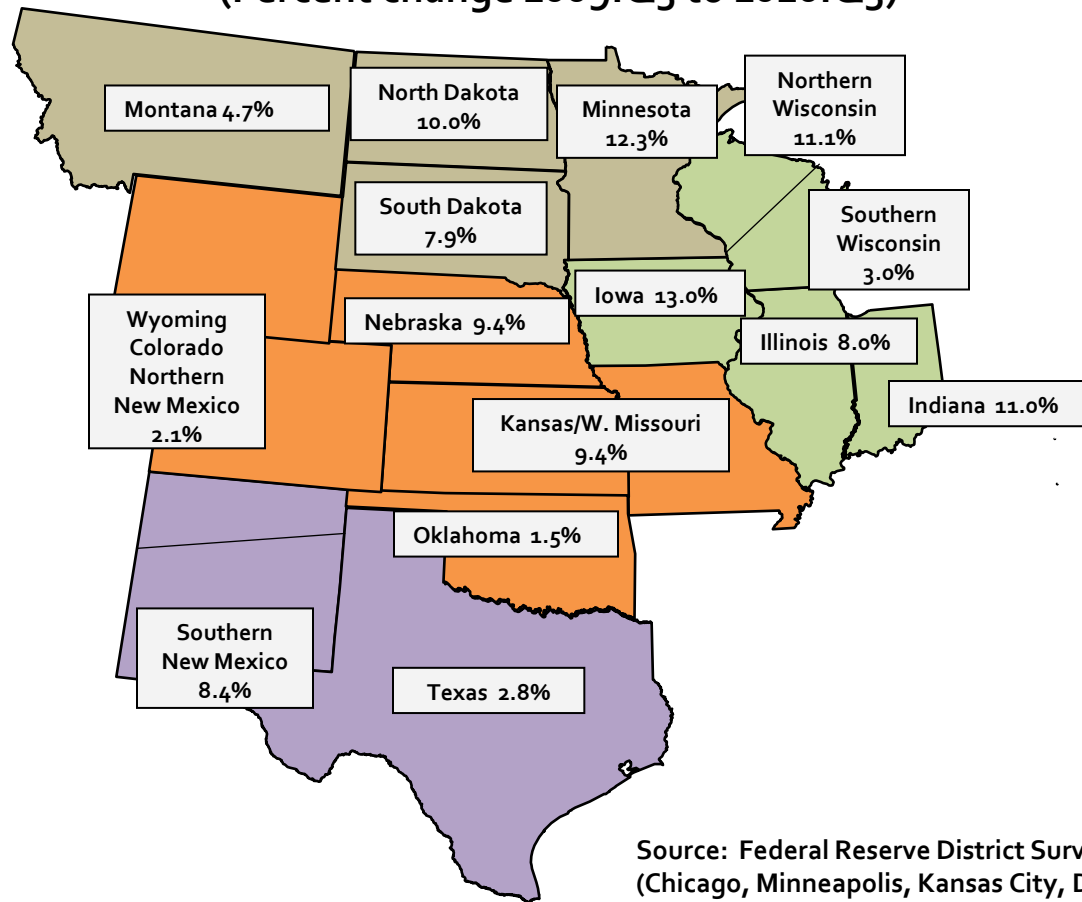
Source: Association of Equipment Manufacturers and USDA

* Tractor Sales data are year-to-date through November and Net Farm Income forecast for 2010 dated November 30, 2010.



Cropland values surge across the Corn Belt.

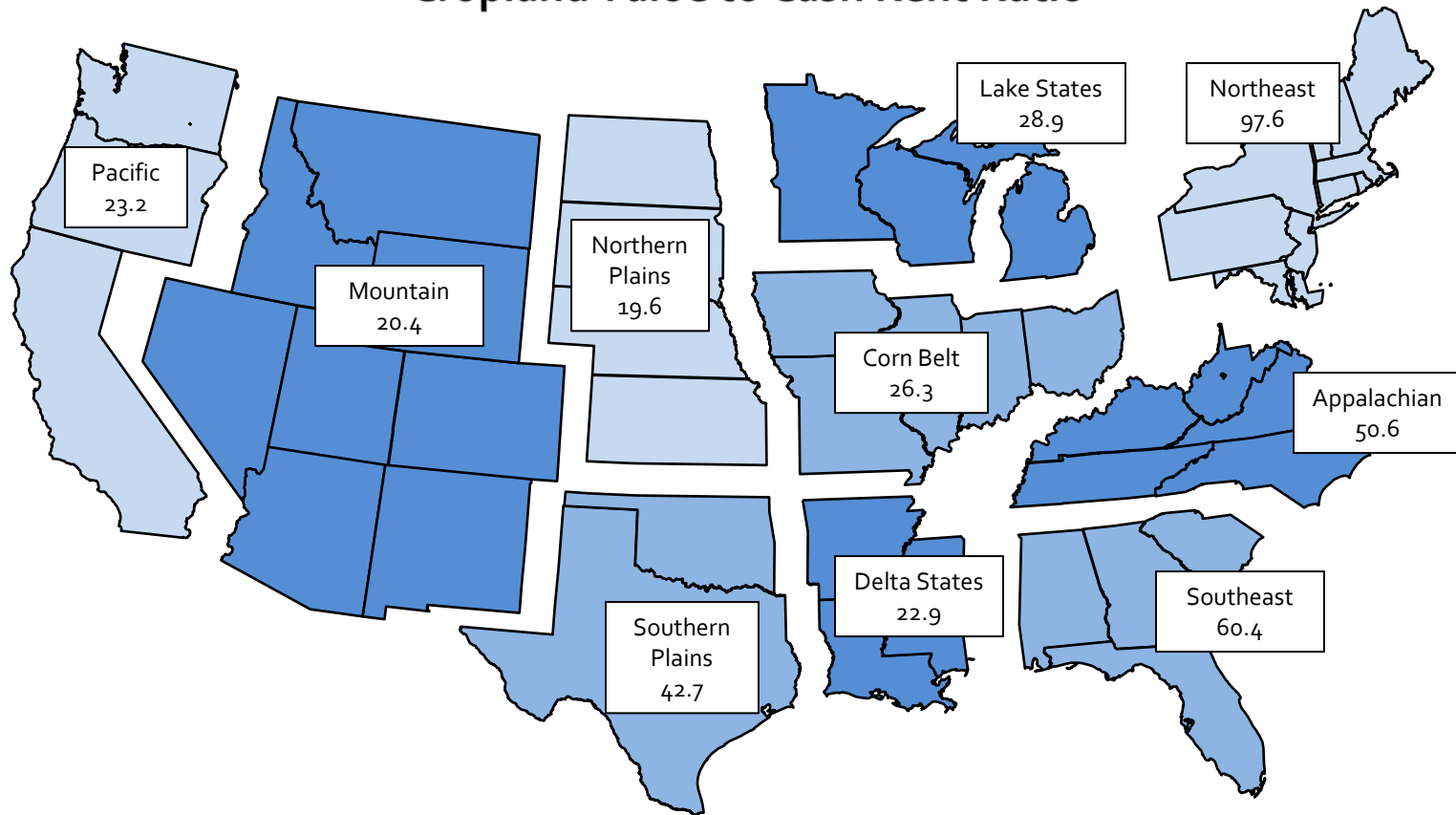
Non-irrigated Cropland Values (Percent change 2009:Q3 to 2010:Q3)



Source: Federal Reserve District Surveys
(Chicago, Minneapolis, Kansas City, Dallas)



Cropland Value to Cash Rent Ratio

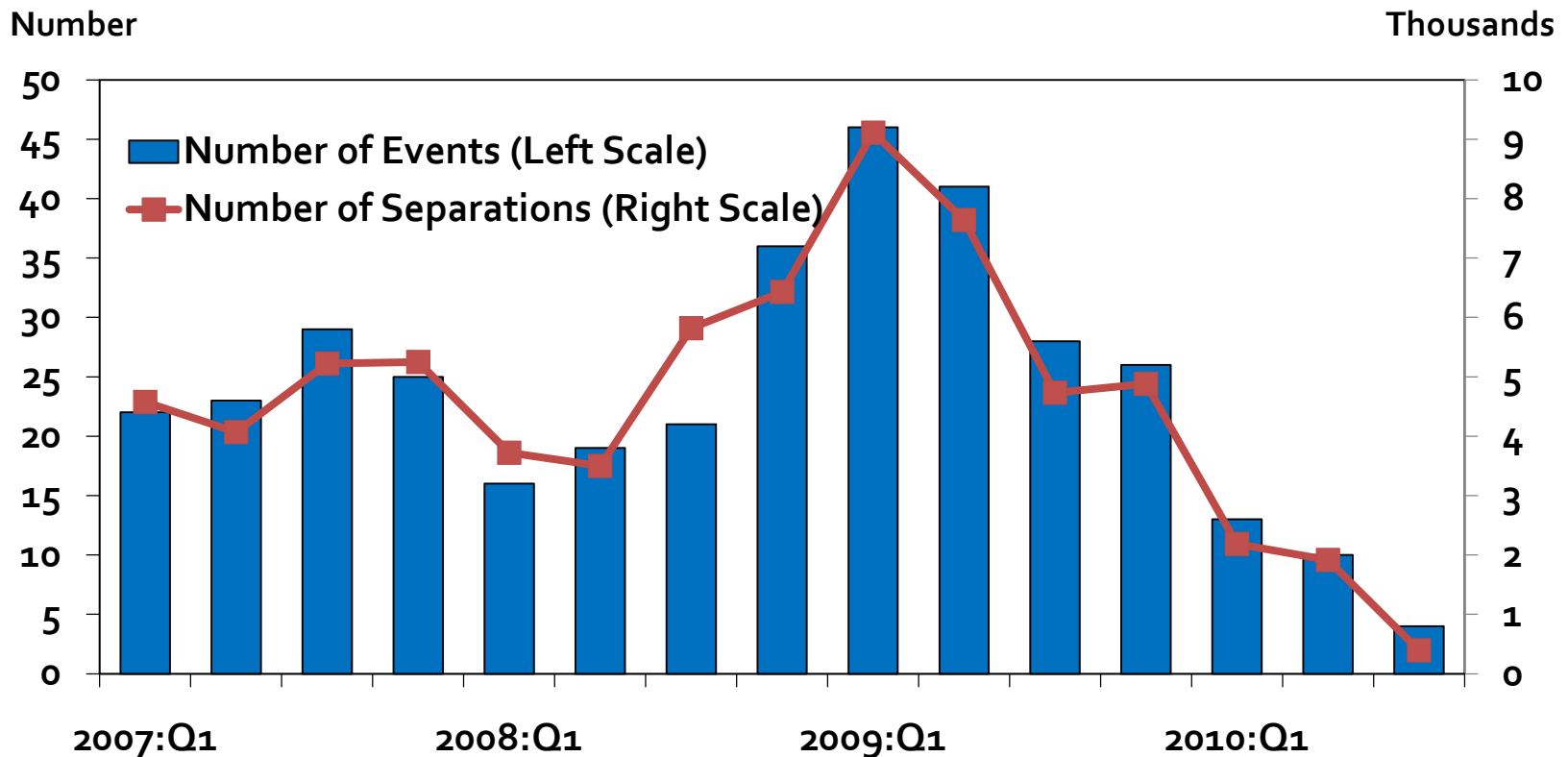


Calculations based on USDA Land Values and Cash Rents, August 2010



Rural manufacturing has improved.

U.S. Nonmetro Mass Layoffs at Manufacturing Plants



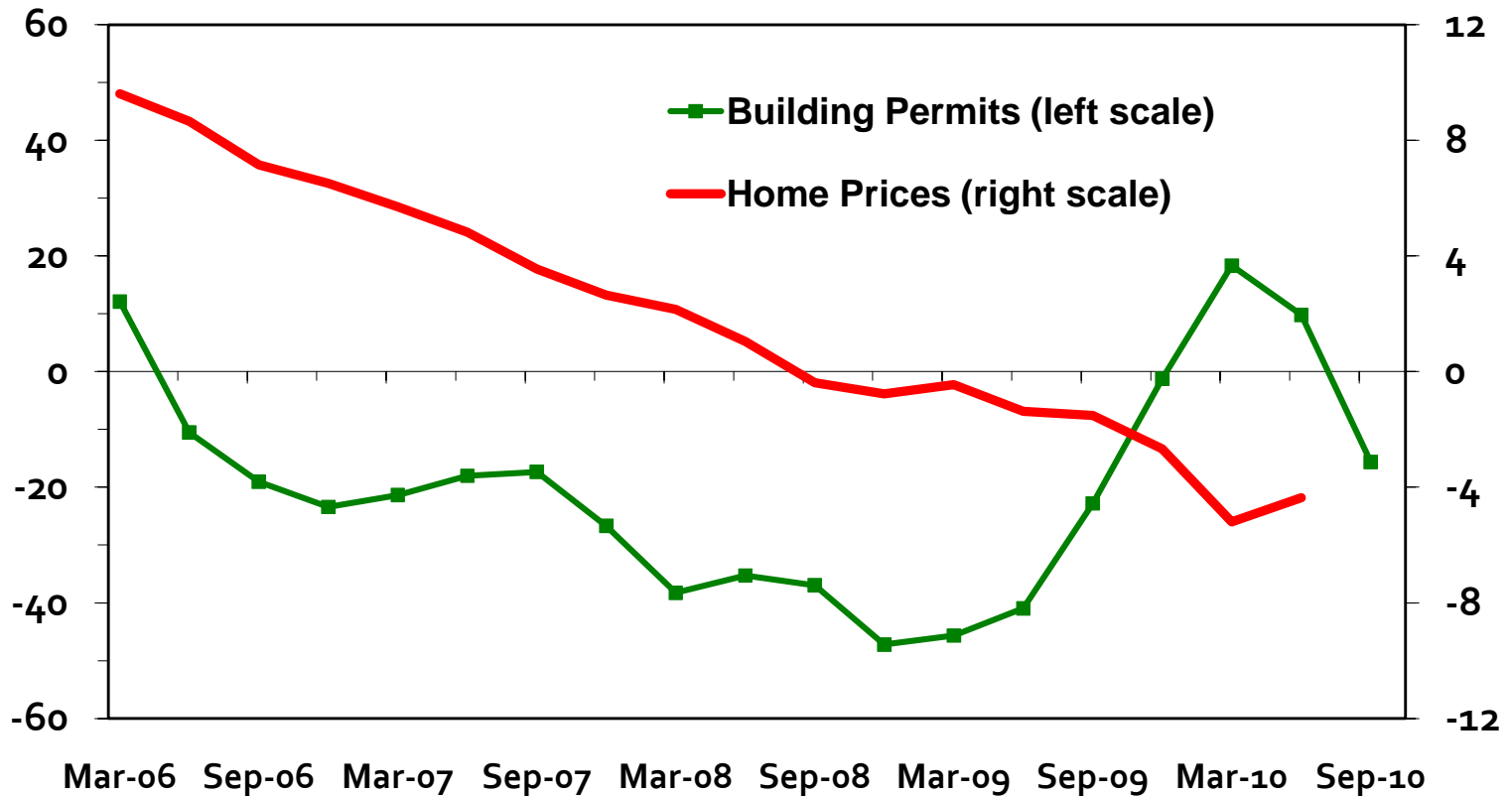
Source: Bureau of Labor Statistics



Rural housing markets weaken after the home buyers tax-credit ends.

Rural Single-Family Building Permits and Home Prices

Percent change from previous year

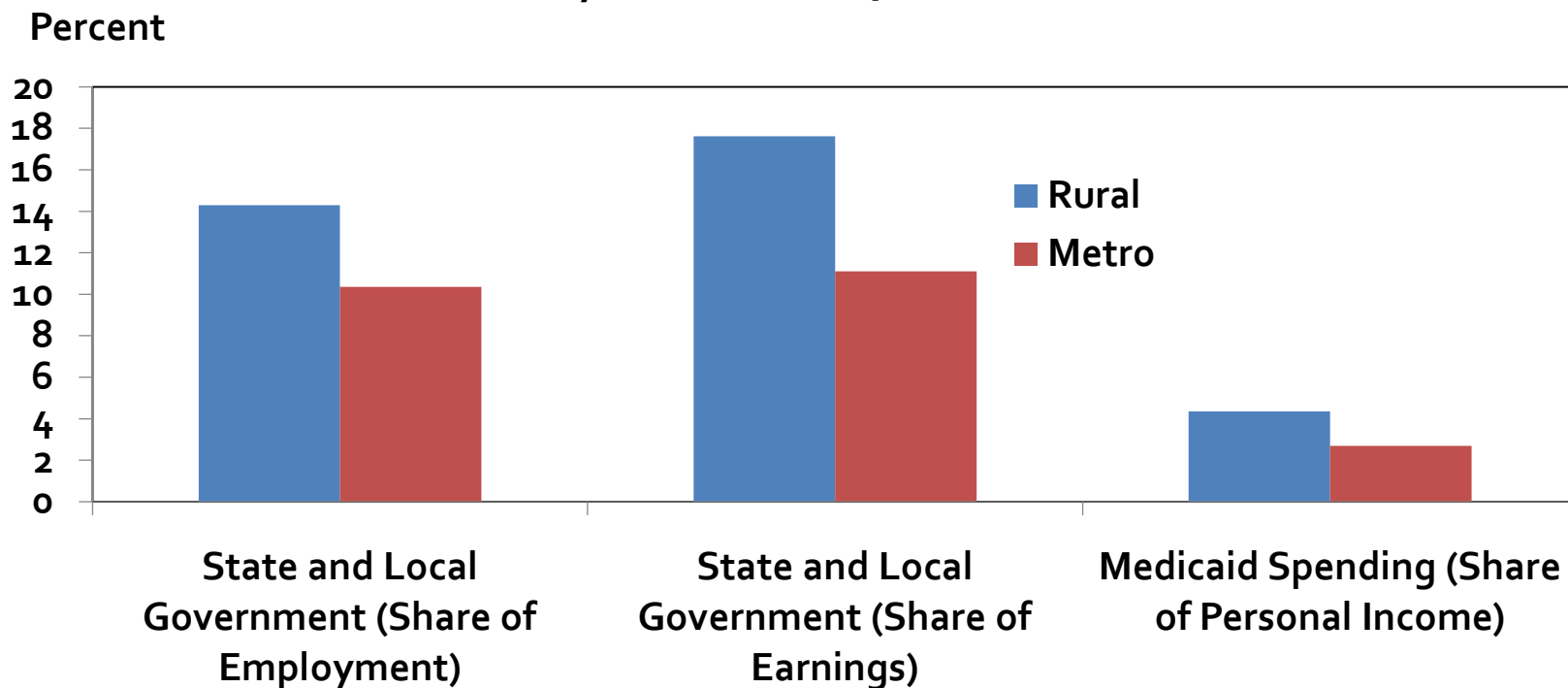


Source: U.S. Census Bureau and Federal Housing Finance Agency



Will fiscal challenges at the state and local level slow rural economies?

State and Local Government Activity and Medicaid Spending by Metro Status, 2008



Calculations based on BEA data



Agricultural and Rural Economies

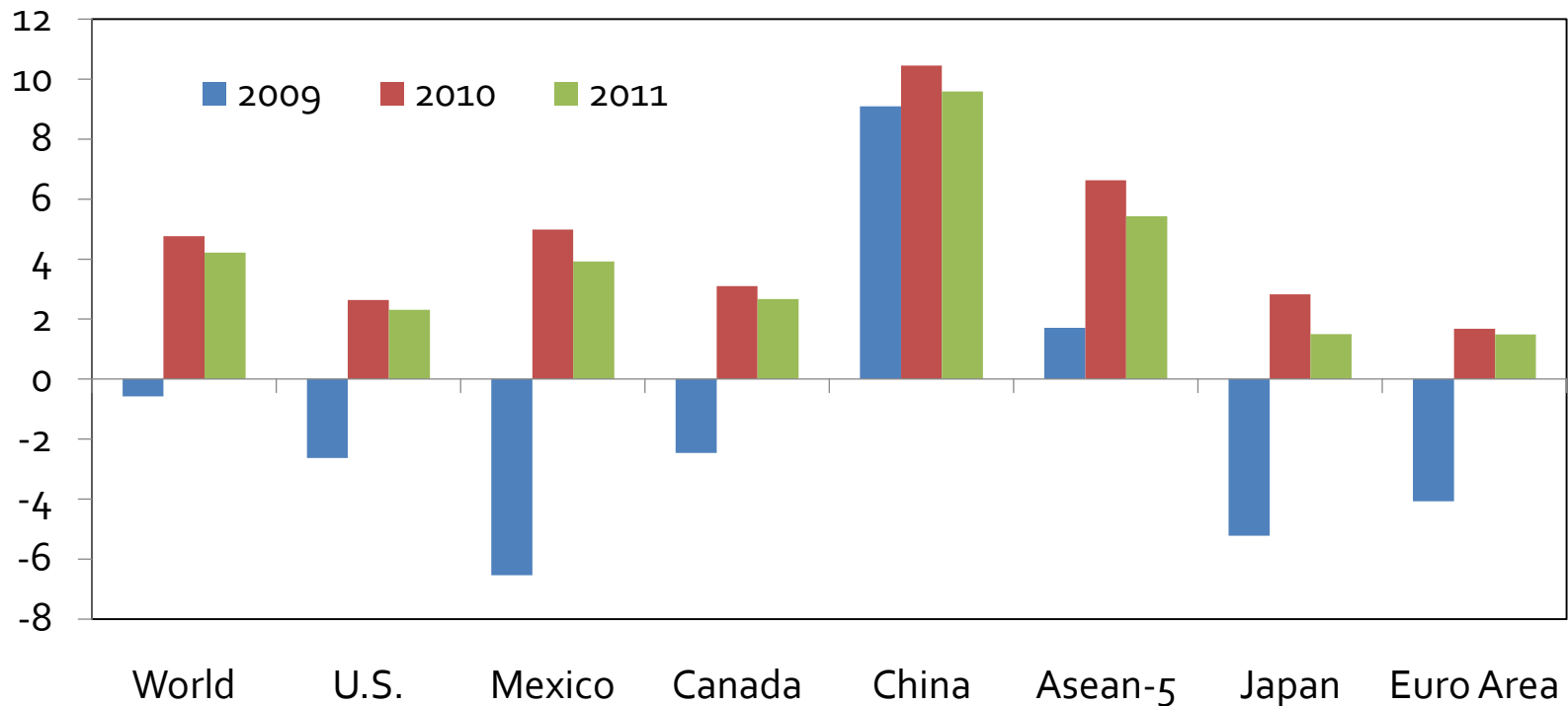
- Agricultural and Rural Economies Rebound in 2010.
 - In jobless recoveries, rural economies outpace metro peers.
 - Strong global demand for commodities boost rural business.
 - A temporary rebound in housing.
- Can rural America lead again in 2011?
 - Global demand is the key.
 - Will U.S. consumers buy more rural products?
 - Will rural firms continue to tap global markets?



Another year of moderate growth, led by Asia.

World GDP Growth

Percent change



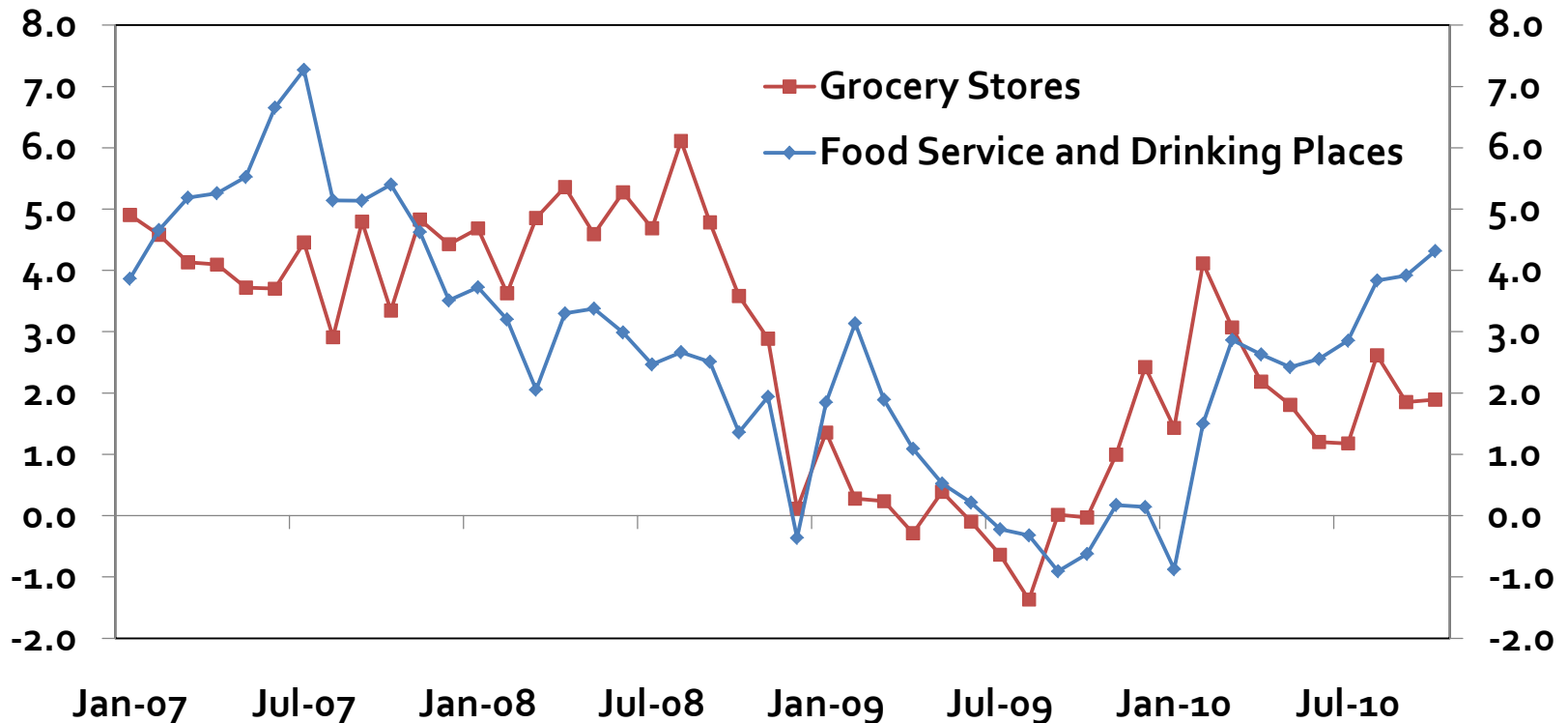
Source: IMF



U.S. food expenditures have rebounded.

U.S. Retail Sales at Grocery Stores and Restaurants

Percent change from year ago



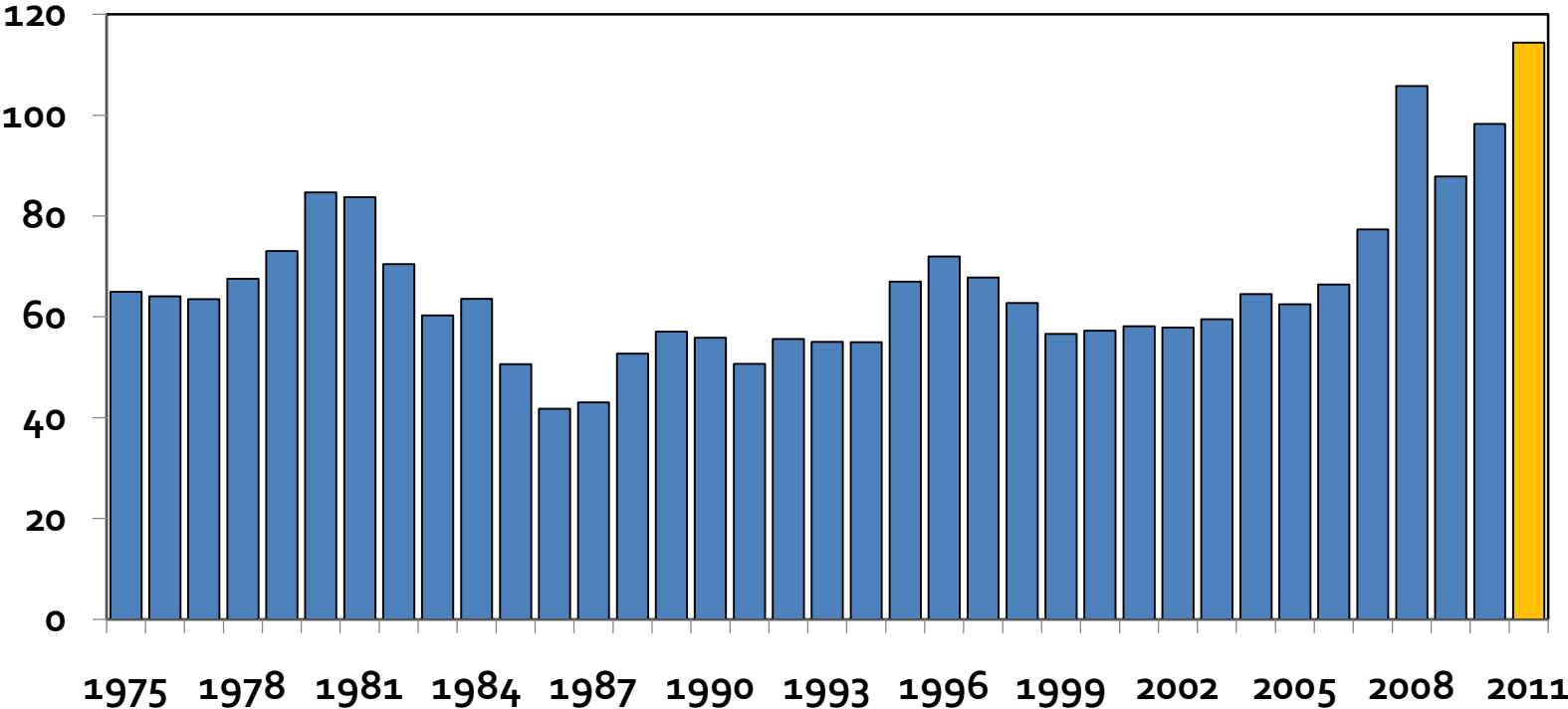
Source: Census Bureau



U.S. agricultural exports are expected to rise.

U.S. Agricultural Exports

Constant 2005 dollars (billions)

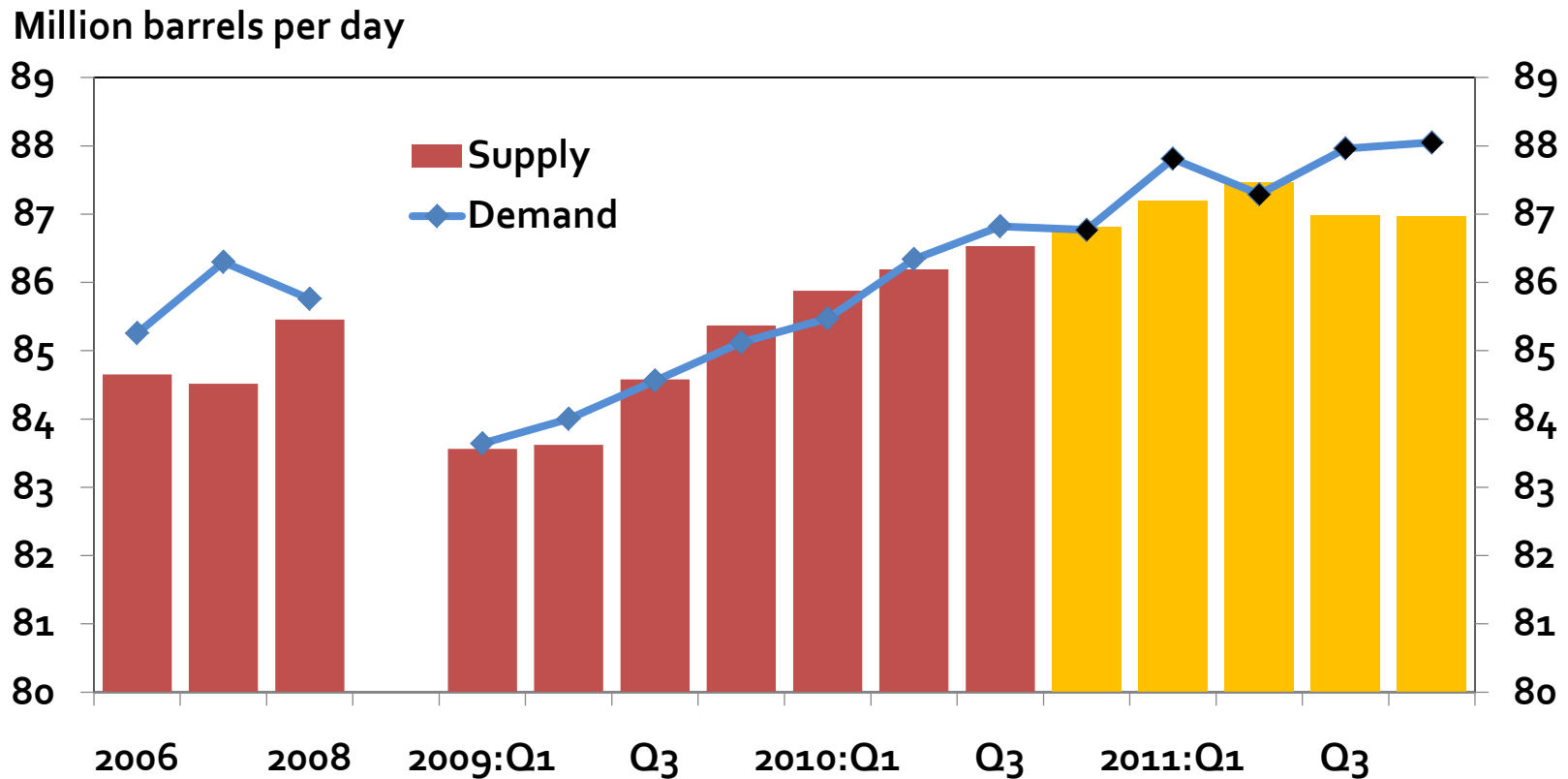


Source: Census Bureau



What happens to energy prices if crude oil demand outpaces supply?

World Crude Oil and Liquid Fuels Balance



Source: Energy Information Administration



Conclusions

- Similar to past jobless recoveries, rural America is leading the economic recovery.
- Robust commodity markets – agriculture and energy – are spurring the rural economy.
- Rural America could lead the recovery again in 2011.
- Growth will hinge on global markets and the ability of rural firms to satisfy the demands of an affluent global consumer.



For More Information on the Rural Economy

Federal Reserve Bank of Kansas City
Omaha Branch

www.kansascityfed.org/omaha



"A Rural Rebound in 2010", Main Street Economist, Issue 5

<http://www.kansascityfed.org/publications/research/mse/index.cfm>