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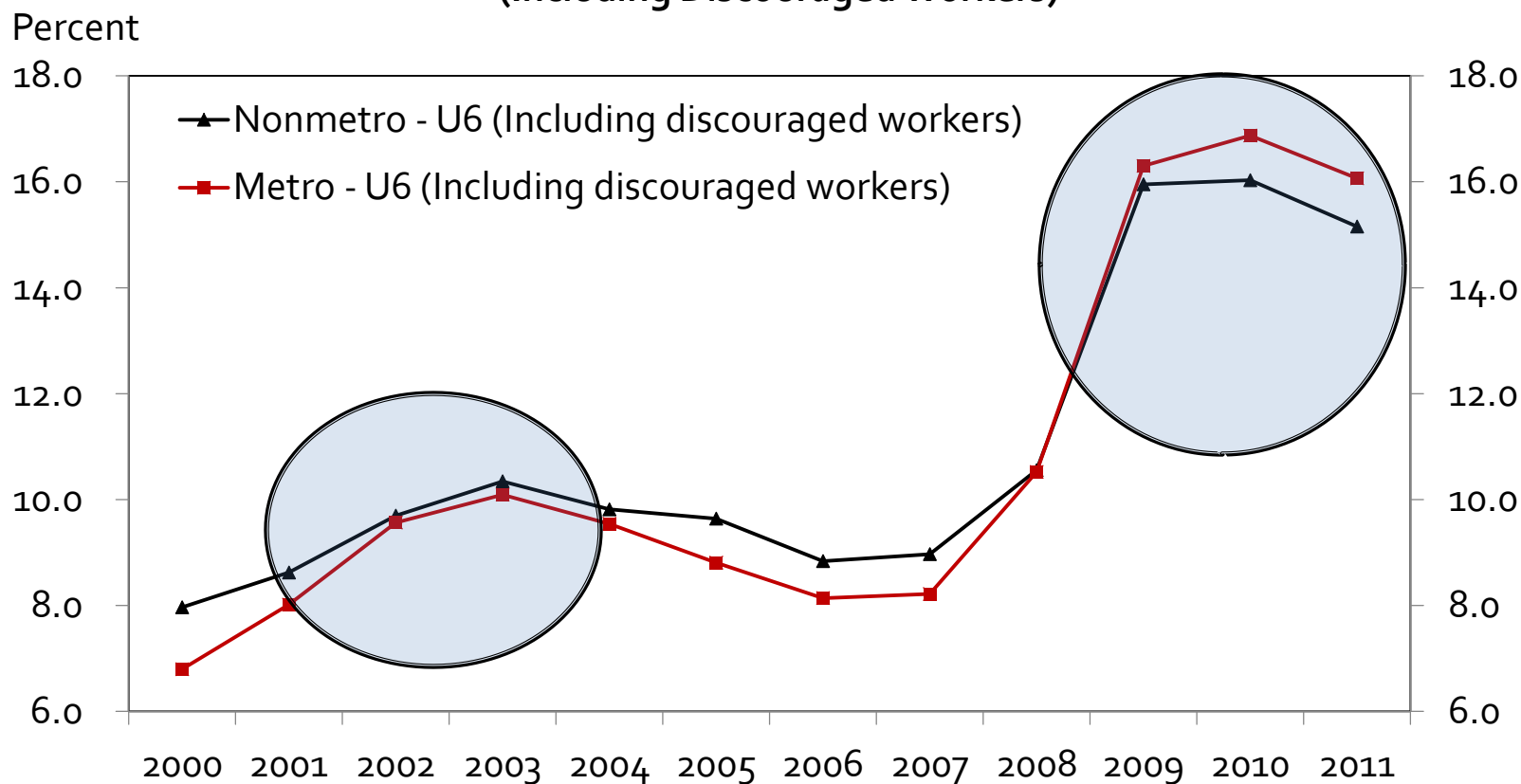
Agriculture's Role in Rural Economic Growth



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.

Rural economies hold up better in jobless recoveries.

Metro and Nonmetro Unemployment Rates (Including Discouraged Workers)

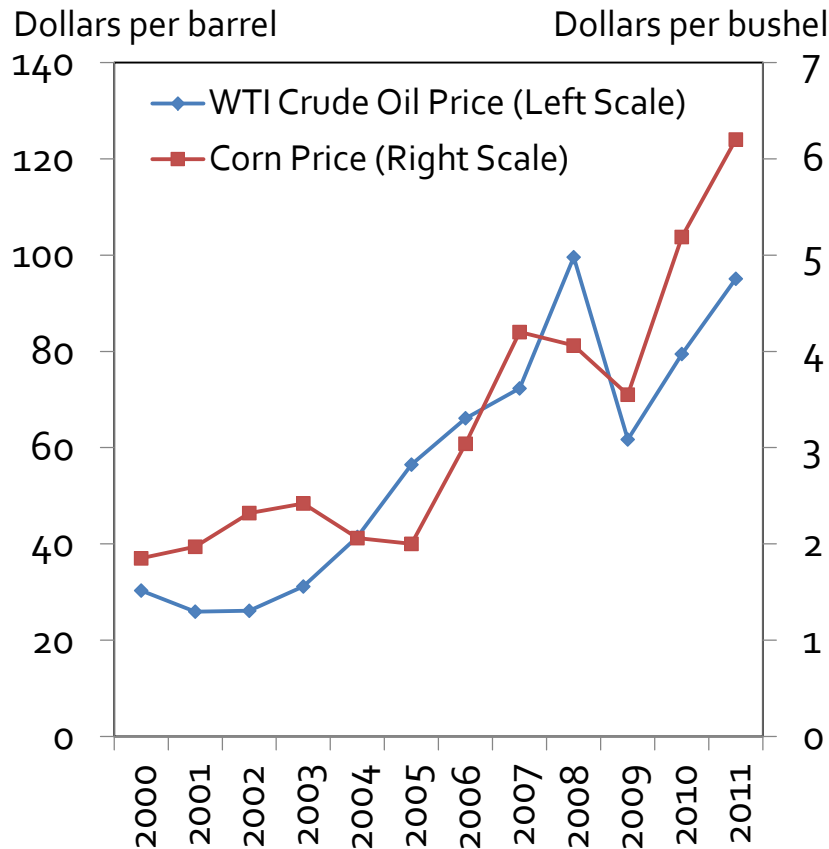


Source: USDA



Commodity markets are shaping rural economic gains.

U.S. Crude Oil and Corn Prices



Commodity-Dependent Economies Boom

Rural America is not Immune to Broader Economic Swings

Source: Commodity Research Bureau



Rural mining economies are booming



Rural mining employment

Up 8.4% in 2011

Up 20% since 2009

Top 10 State in Personal Income Growth

State	Personal Income Growth 2010:YTD to 2011:YTD
(1) North Dakota	10.5
(2) Texas	6.8
(3) Oklahoma	6.5
(4) South Dakota	6.4
(5) Minnesota	6.1
(5) Nebraska	6.1
(7) Iowa	5.8
(7) California	5.8
(9) Colorado	5.7
(9) Idaho	5.7
U.S. Average	5.0

Source: Bureau of Economic Analysis

Note: Year -to-Date information through third quarter



Rising farm incomes boost rural spending and *manufacturing*.



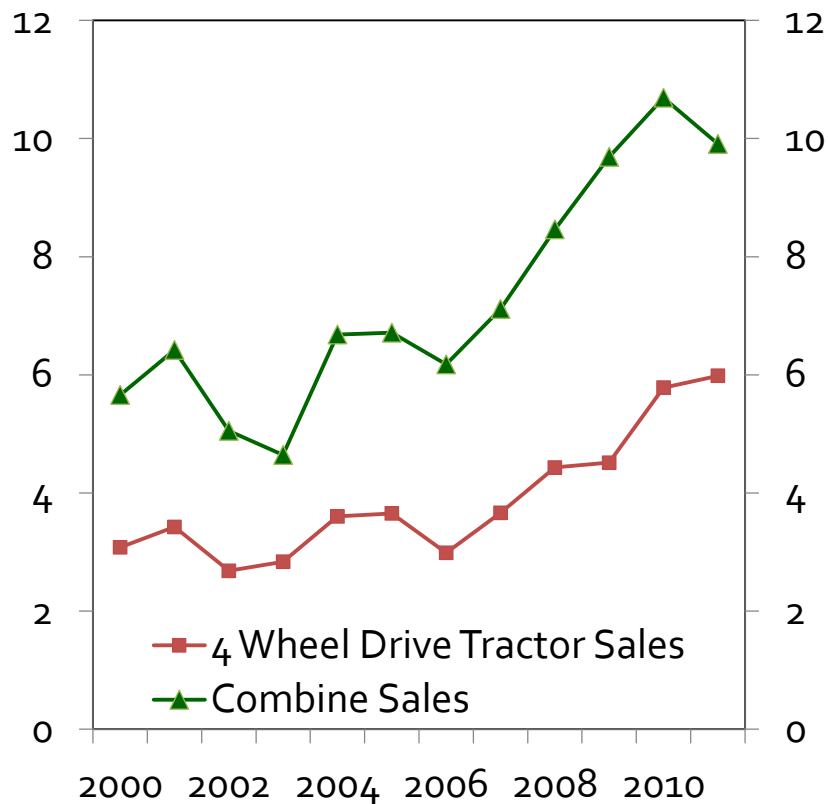
Rural manufacturing employment

Up 3.8% in 2011

Up 14% since 2009

U.S. Tractor and Combine Sales

Thousand units per month



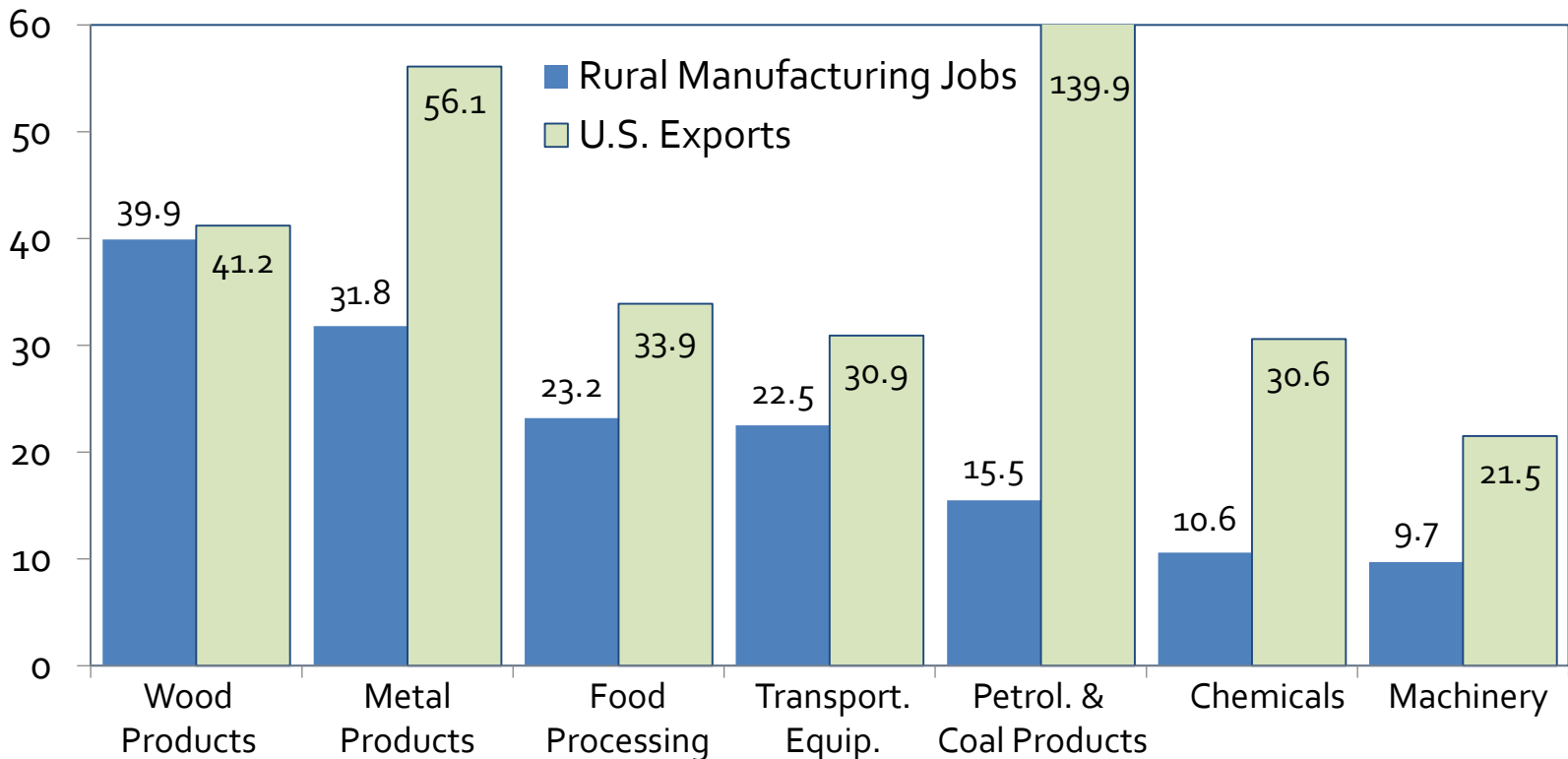
Source: Association of Equipment Manufacturers



Rural manufacturing was spurred by stronger exports.

Rural Manufacturing Jobs and U.S. Exports by Industry

Percent change from 2009 to 2011



Calculations based on Census Bureau data and WisierTrade data



Rural housing activity is weak.

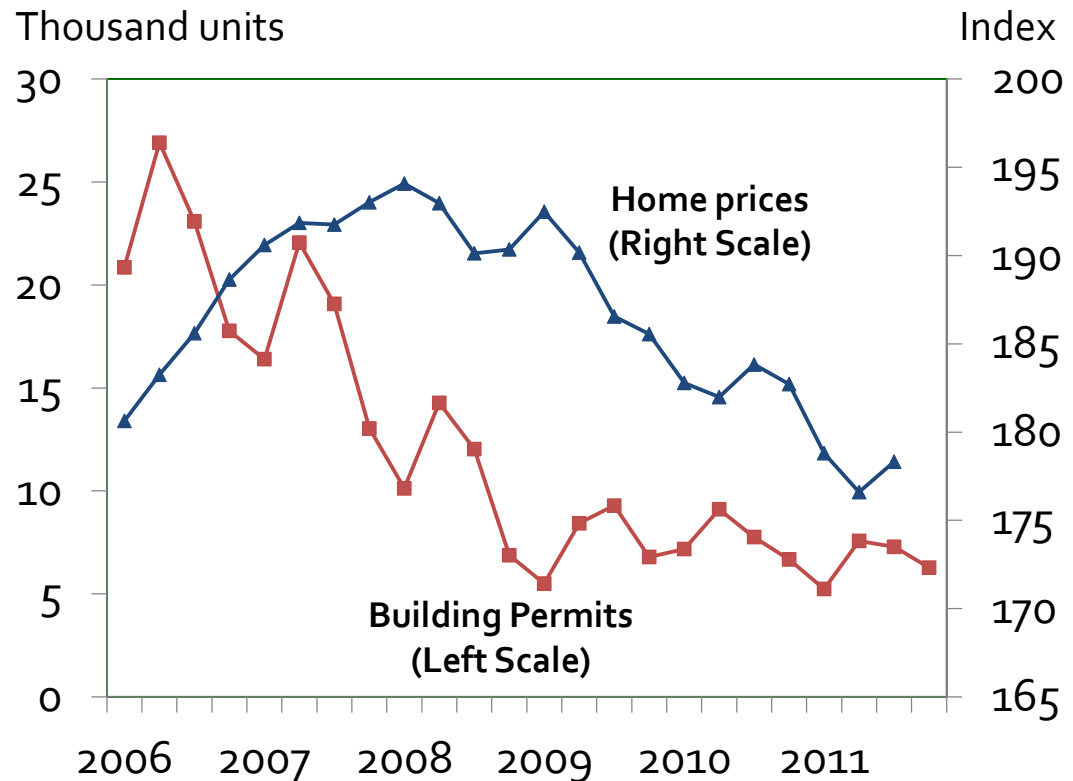


Rural Construction Employment

Flat in 2011

Down 24% since 2007

Rural Single-Family Building Permits and Home Prices



Calculations based on Census Bureau and FHFA data



High gas prices strained rural budgets.

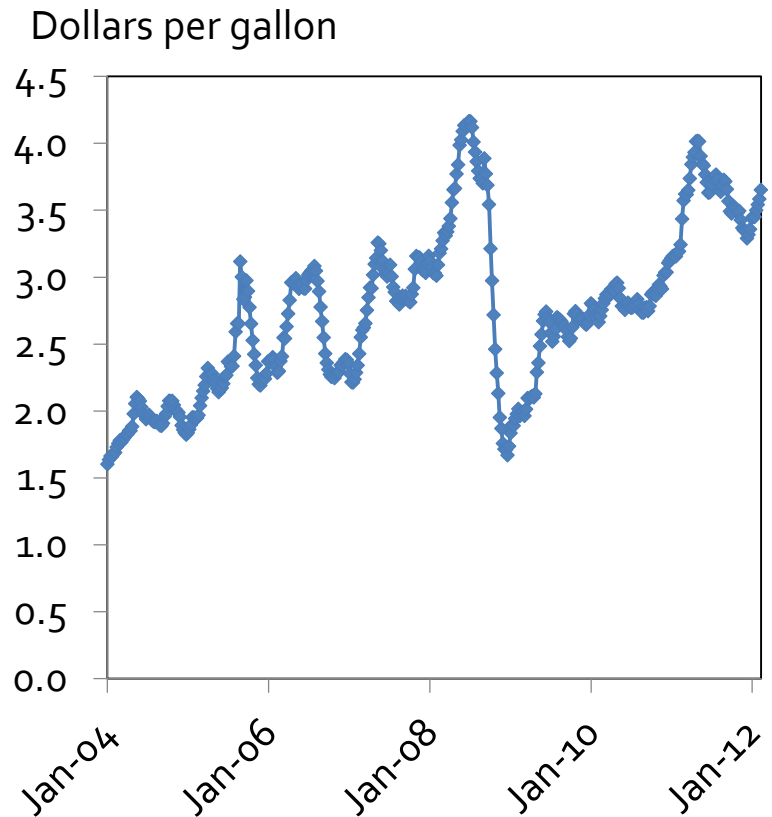


Rural employment

Retail trade down 2%

Leisure and hospitality
fell more than 10% in 2011

U.S. Retail Gasoline Prices



Fiscal challenges at the federal, state, and local level strain rural employment.



Rural Government Employment

Down 7.2% in 2011

The public sector accounts for almost 1 out of every 5 rural jobs.

Most government employment is at the local level, whose budgets hinge on Inter-government transfers and property taxes.

Inter-government transfers account for 45% of the local government revenues in rural counties.



Fiscal challenges also strain hospitals and education.



Rural Hospital Employment

Down 9.4% in 2011

Down 8.8% since 2009

Health Care Services Employment

Up 0.8% in 2011

Down 2.6% since 2009



Rural Educational Services Employment

Down 2.3% in 2011

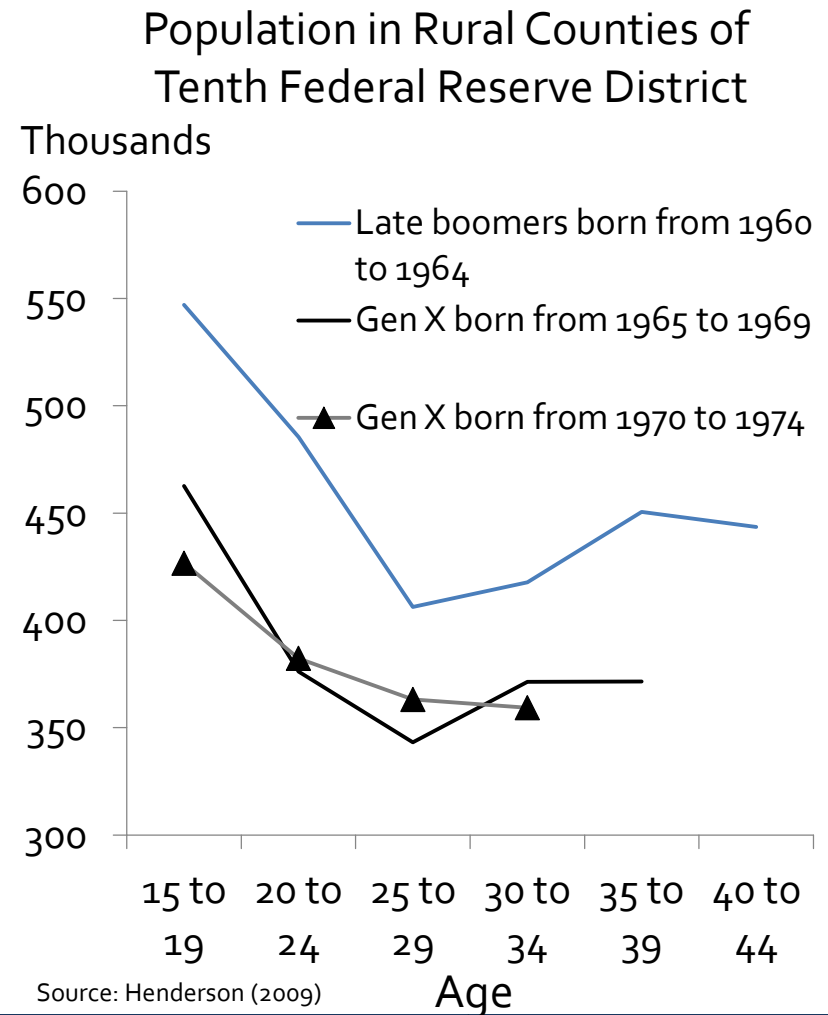
Down 8.0% since 2009



Long term challenge: Attract and Retain People

- What makes rural America competitive?
 - Business opportunities
 - Infrastructure
 - Skilled workers
 - Quality of life
 - Education
 - Health care
 - Recreation
- The Challenge

Memories



Conclusions

- Agriculture is a key cornerstone of the rural economy.
- Booming commodity markets drive many economic engines in rural America.
- Rural communities, however, are not immune to the challenges of the broader economy – housing and fiscal deficits.
- The longer term question is:

What enhances the competitiveness of rural businesses and communities?

