New Horizons for the Nebraska Economy

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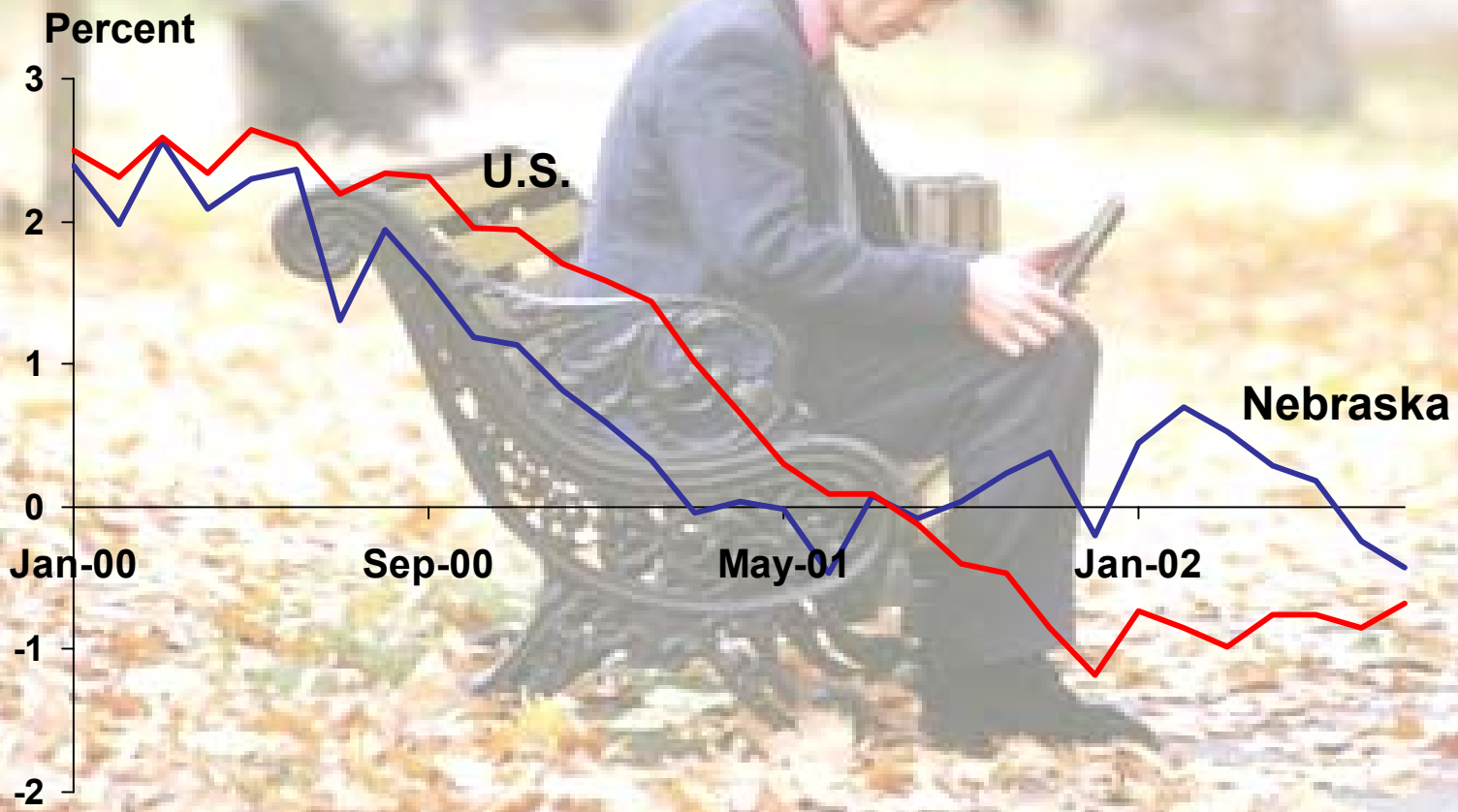
New Horizons for the Nebraska Economy

- An economic slowdown in NE
- A new horizon of opportunity
- New strategies for the new horizon

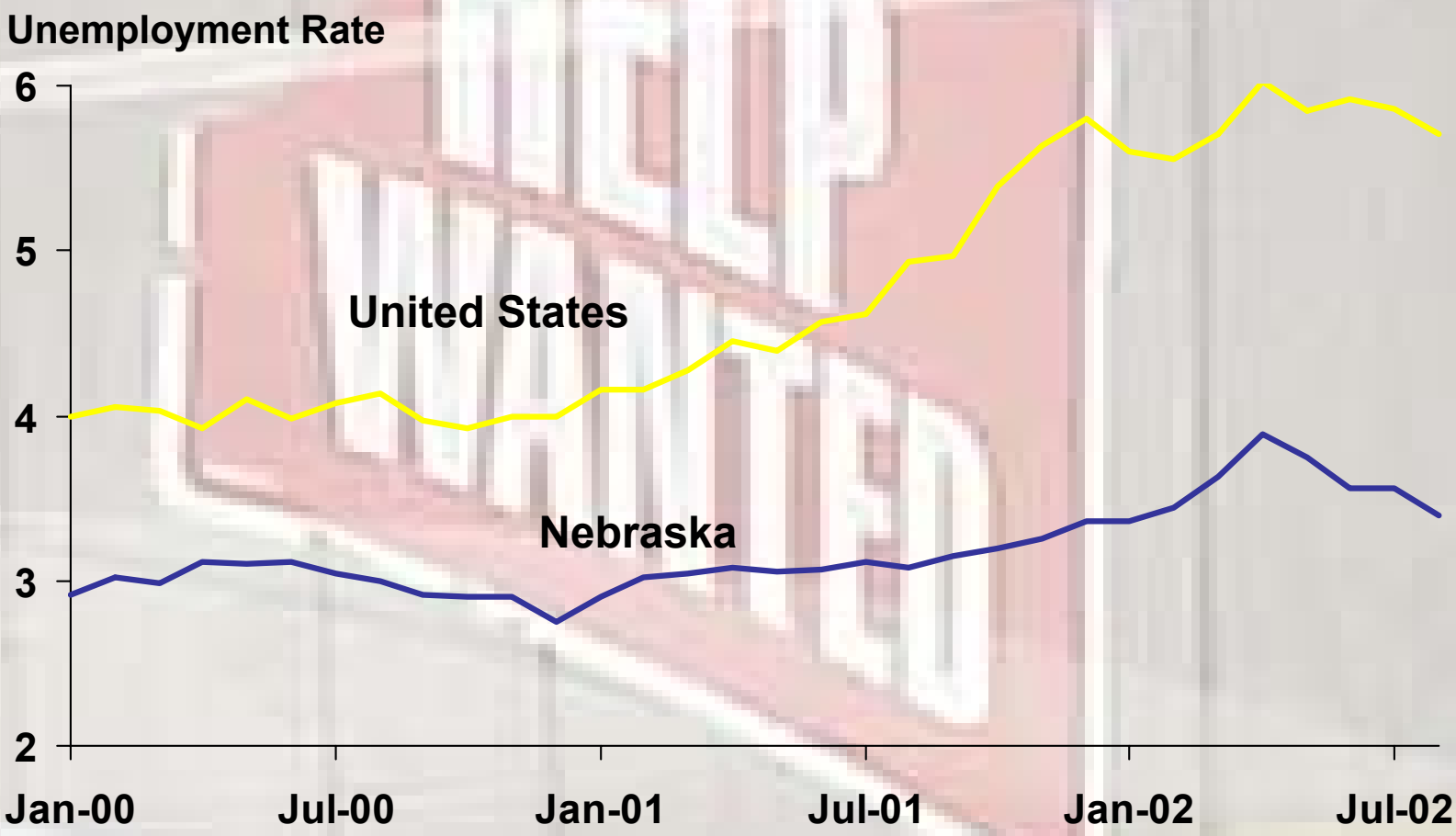
Job growth in Nebraska

Percent change in nonfarm employment, year over year



Source: Bureau of Labor Statistics

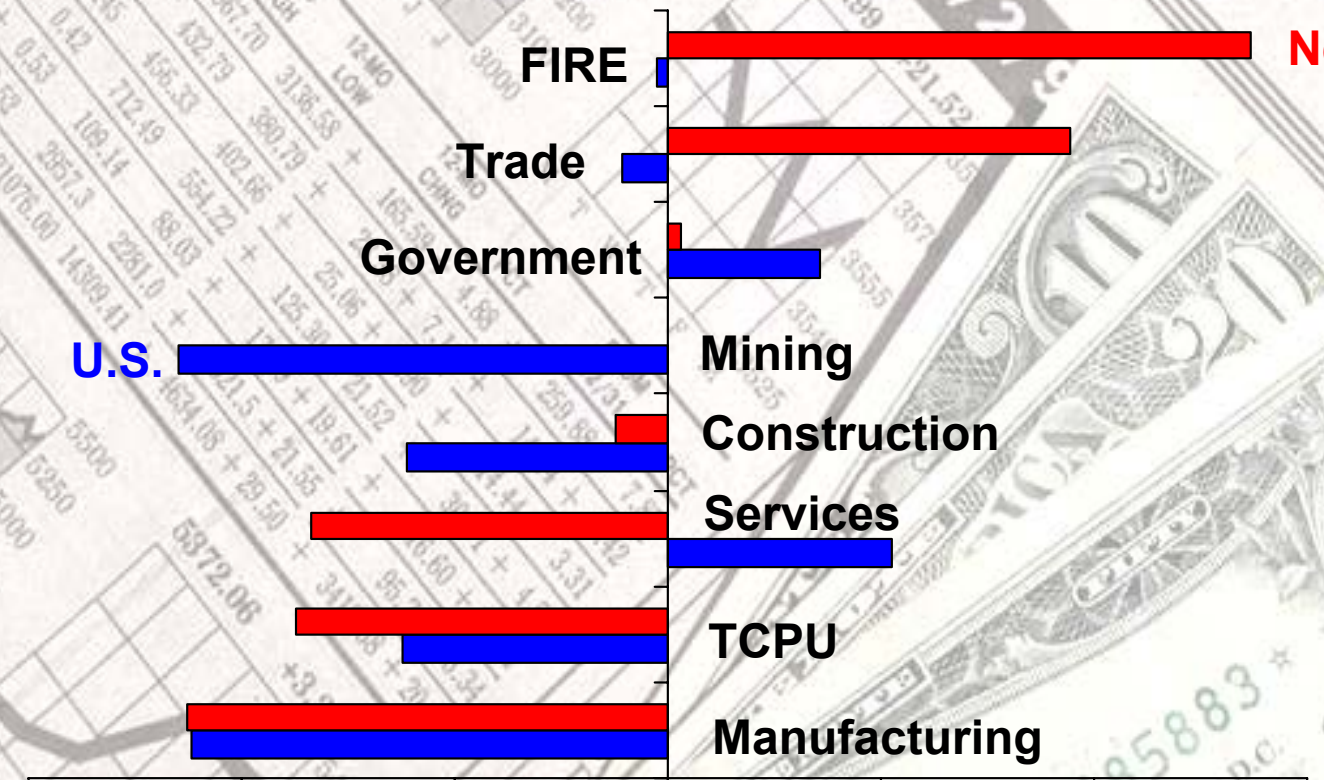
Unemployment has risen but remains below national levels.



Source: Bureau of Labor Statistics

Manufacturing is notably weak…

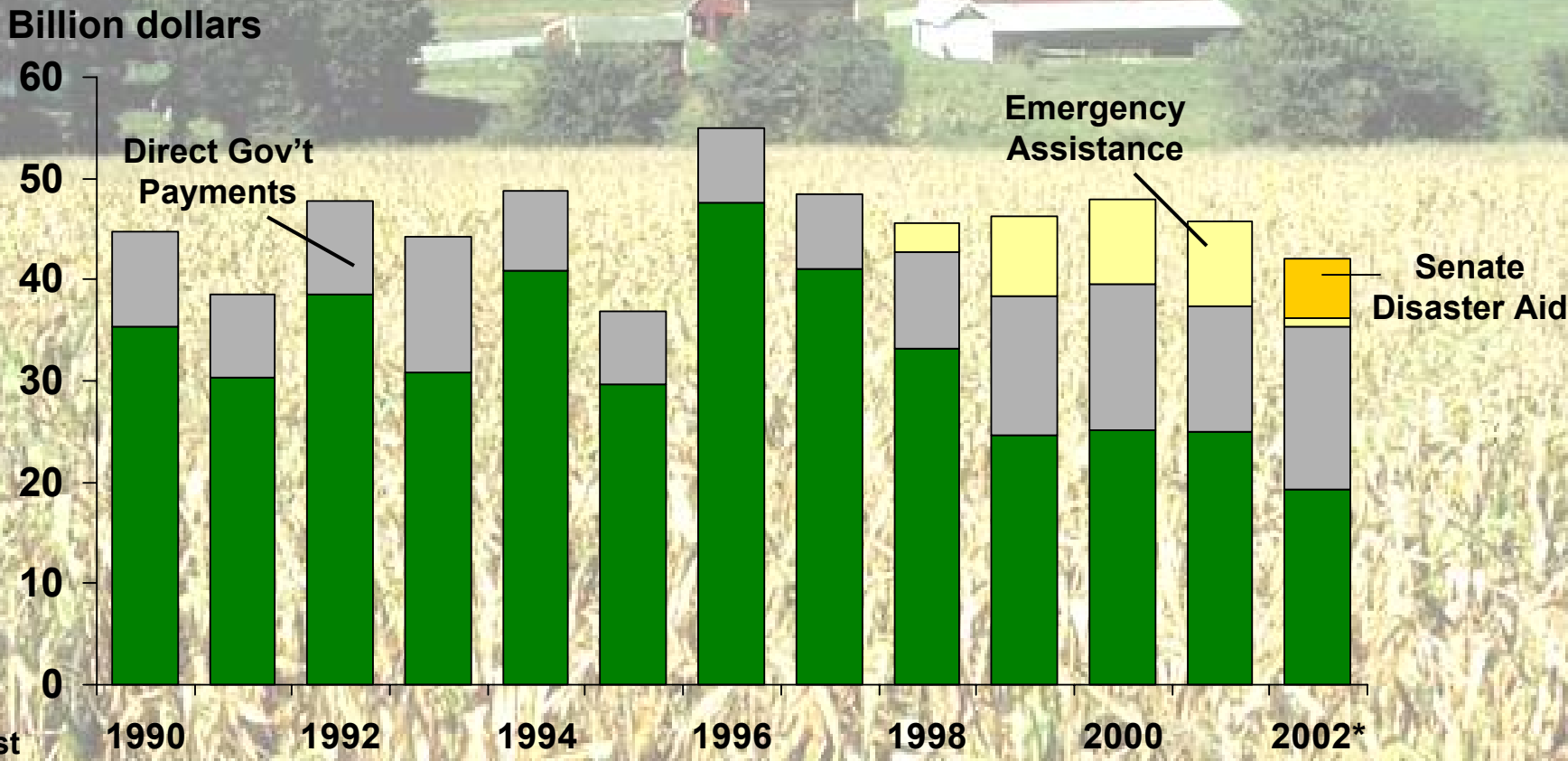
Change in Employment, Jan – Aug 2002



Source: BLS

Meanwhile, agriculture's slump deepens…

US Net Farm Income



*Forecast
Source: USDA

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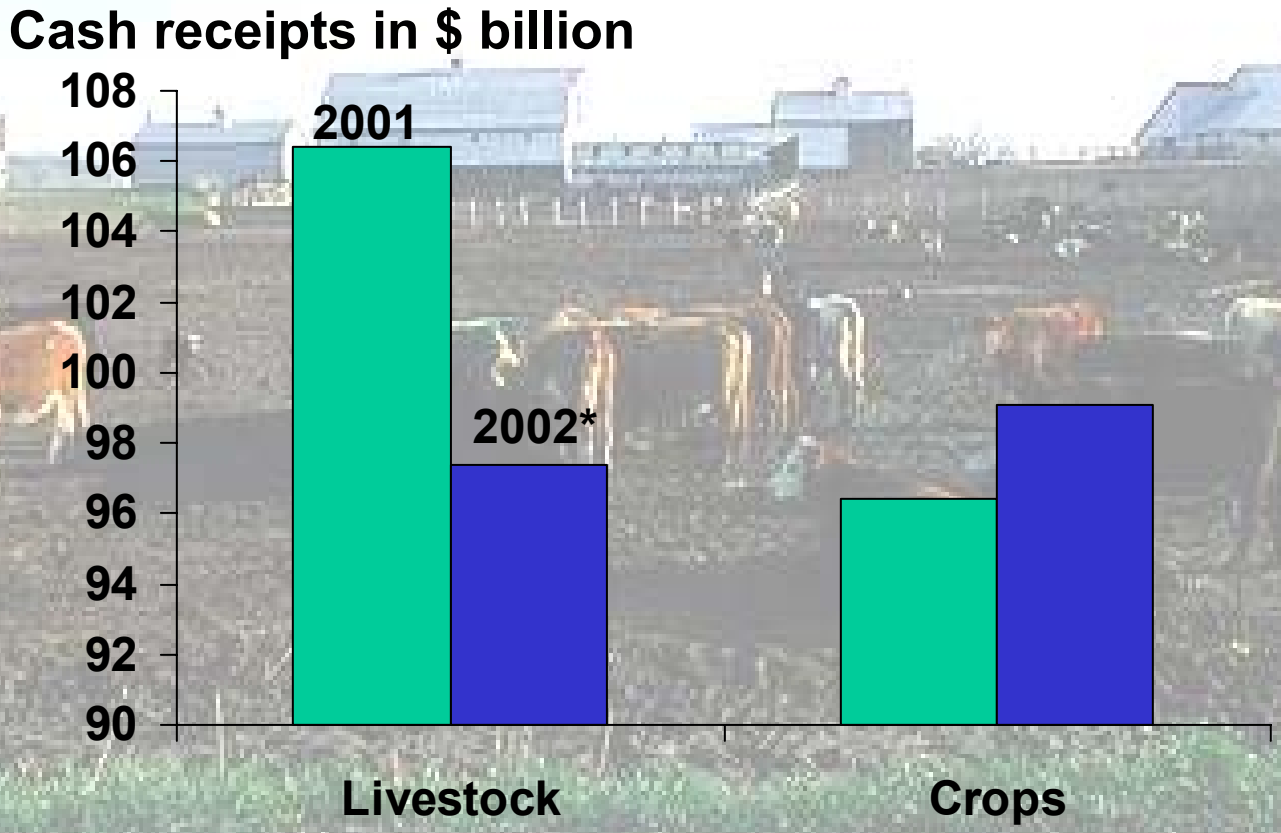
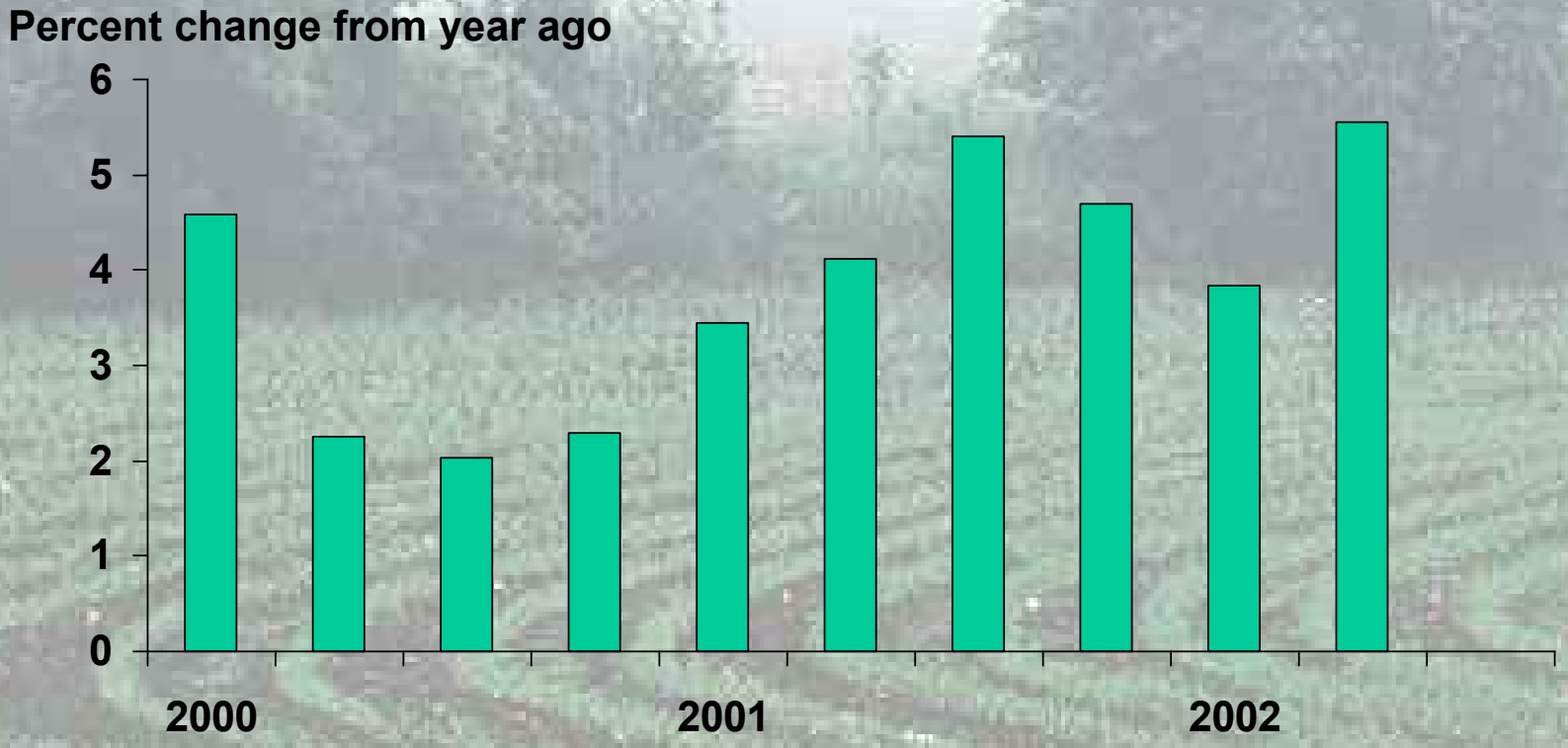
As drought drives down livestock profits…



*Forecast
Source: USDA

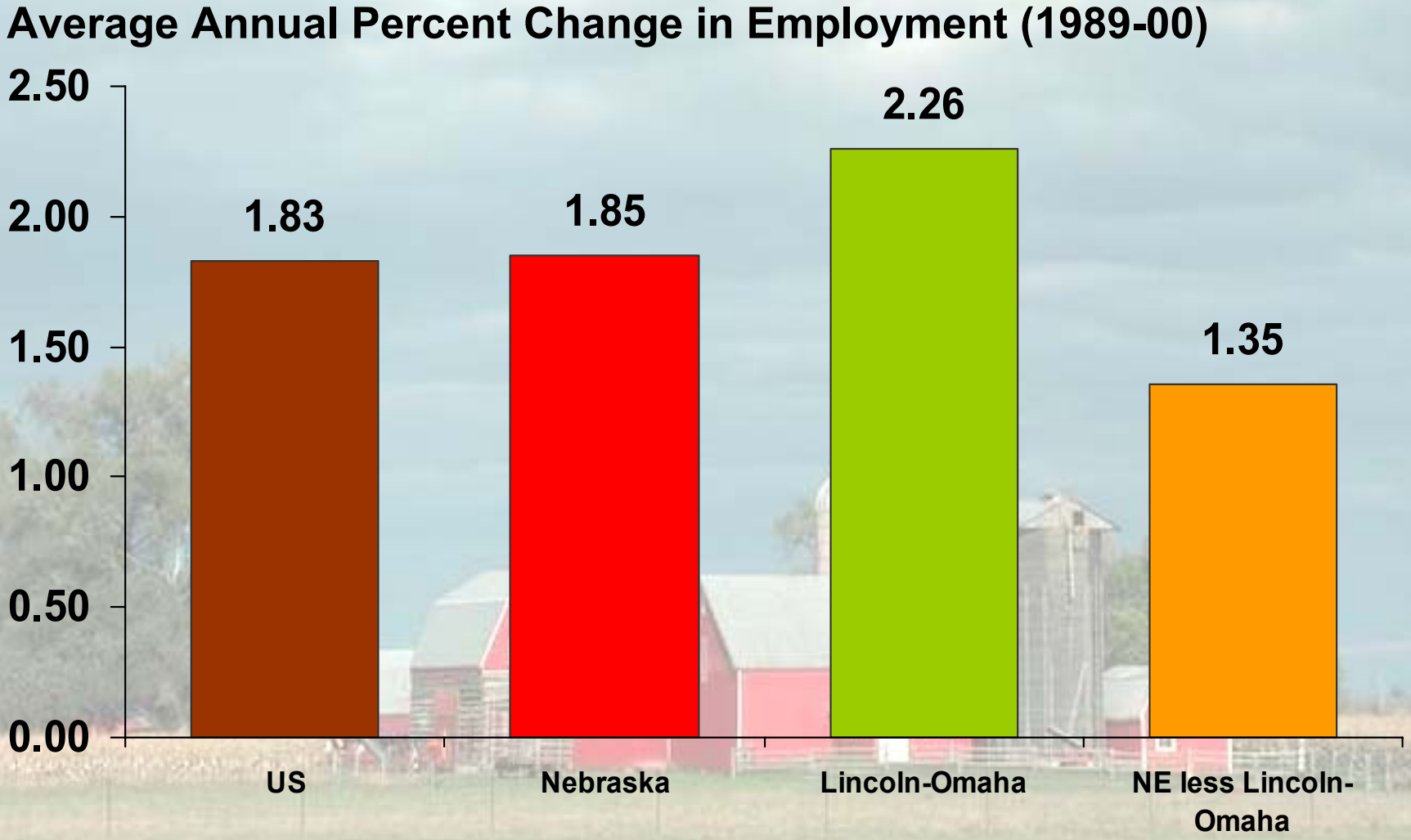
Nebraska Farmland Values

Nonirrigated



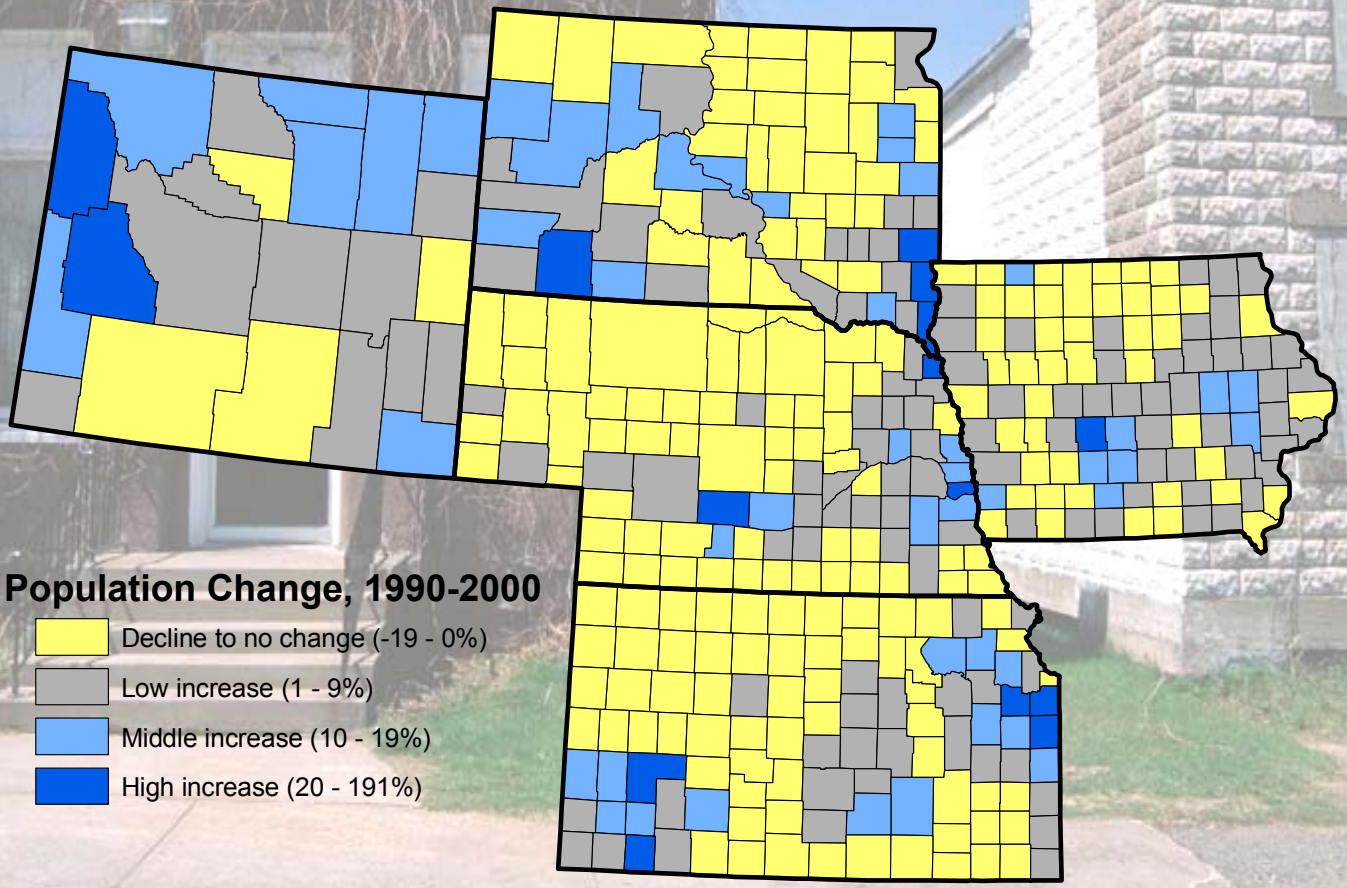
Source: Federal Reserve Bank of Kansas City

Omaha-Lincoln captures Nebraska's growth



Source: USDA and BEA

And many counties struggle with continued exodus.



Source: US Census Bureau

In sum

- The Nebraska economy is weak…
- Hurt by slumps in manufacturing and agriculture.
- Growth concentrated in Omaha-Lincoln…
- And much of Nebraska searches for growth.

New Economic Horizons

Technology heralds new opportunities…

Diminishing distance…

Creating new value…

And launching new products.

The New Frontier

- Product agriculture
- E-commerce
- Agri-tourism
- Advanced manufacturing

Product Agriculture Horizons

From “new-use” commodities

- Ethanol
- Bio-plastics (Blair, NE)

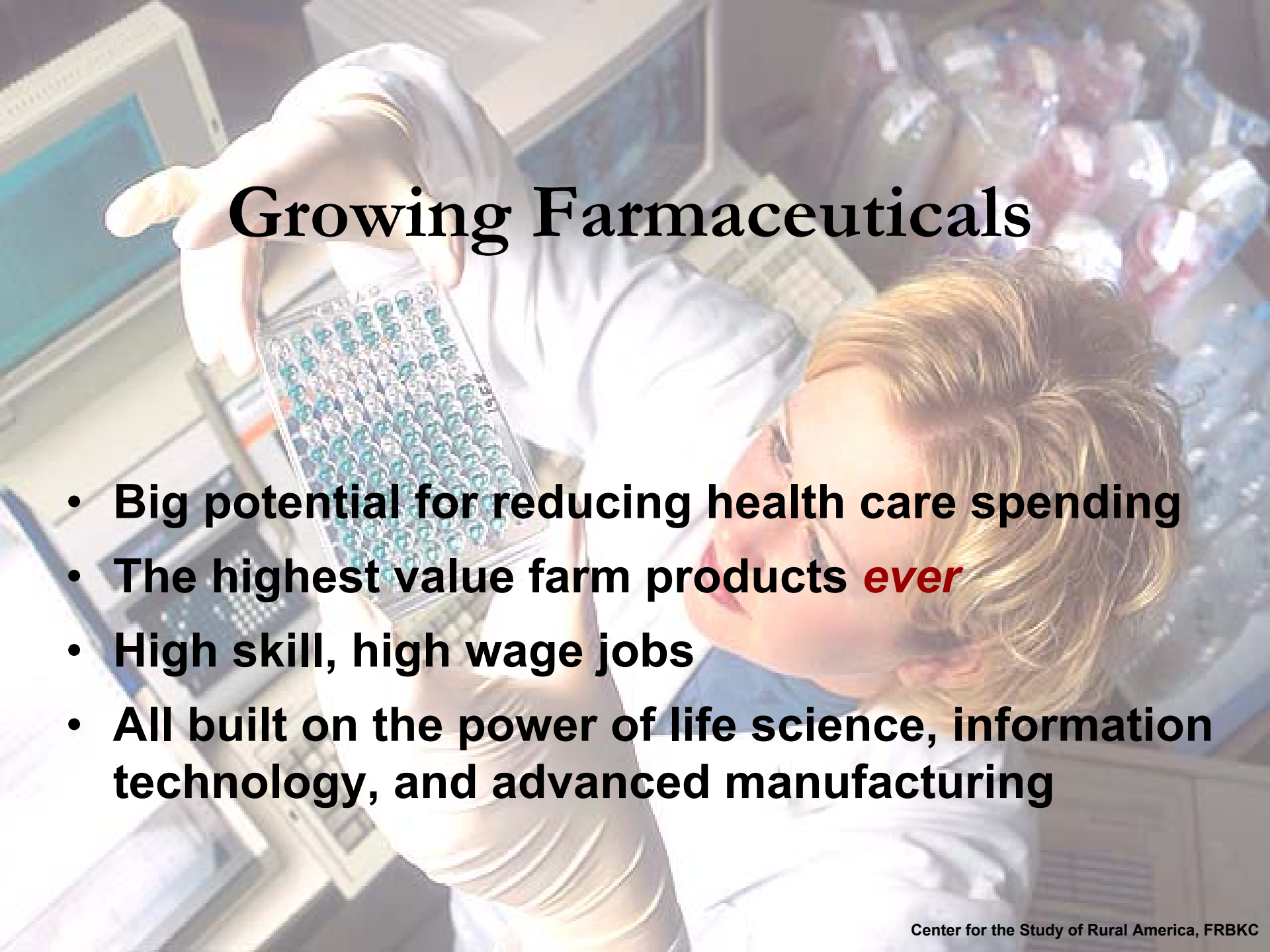
To new “high-value” products

- Farmaceuticals

Growing Farmaceuticals

- **A fusion of agriculture, nutrition and medicine…**
- **Where prevention overtakes the cure.**

Growing Farmaceuticals



- **Big potential for reducing health care spending**
- **The highest value farm products *ever***
- **High skill, high wage jobs**
- **All built on the power of life science, information technology, and advanced manufacturing**

The farmaceutical impact

- One “small market drug”
- 7,000 to 10,000 acres
- $80 million processing plant
- High-skill, high-wage jobs

How to get there?

- **ISO 9000 attention to quality**
- **Several hundred farmers - all on the *same* page**
- **Multi-community, multi-county partnership.**
- **University support for technology and business assistance.**
- **Giving up commodities.**

E-commerce: A virtual horizon

- **The promise of eliminating distance…**
- **But the reality remains elusive.**

New e-commerce horizons

- **Broadband remains an issue…**
- **But business starts probably more important.**

The "Aurora Horizon"

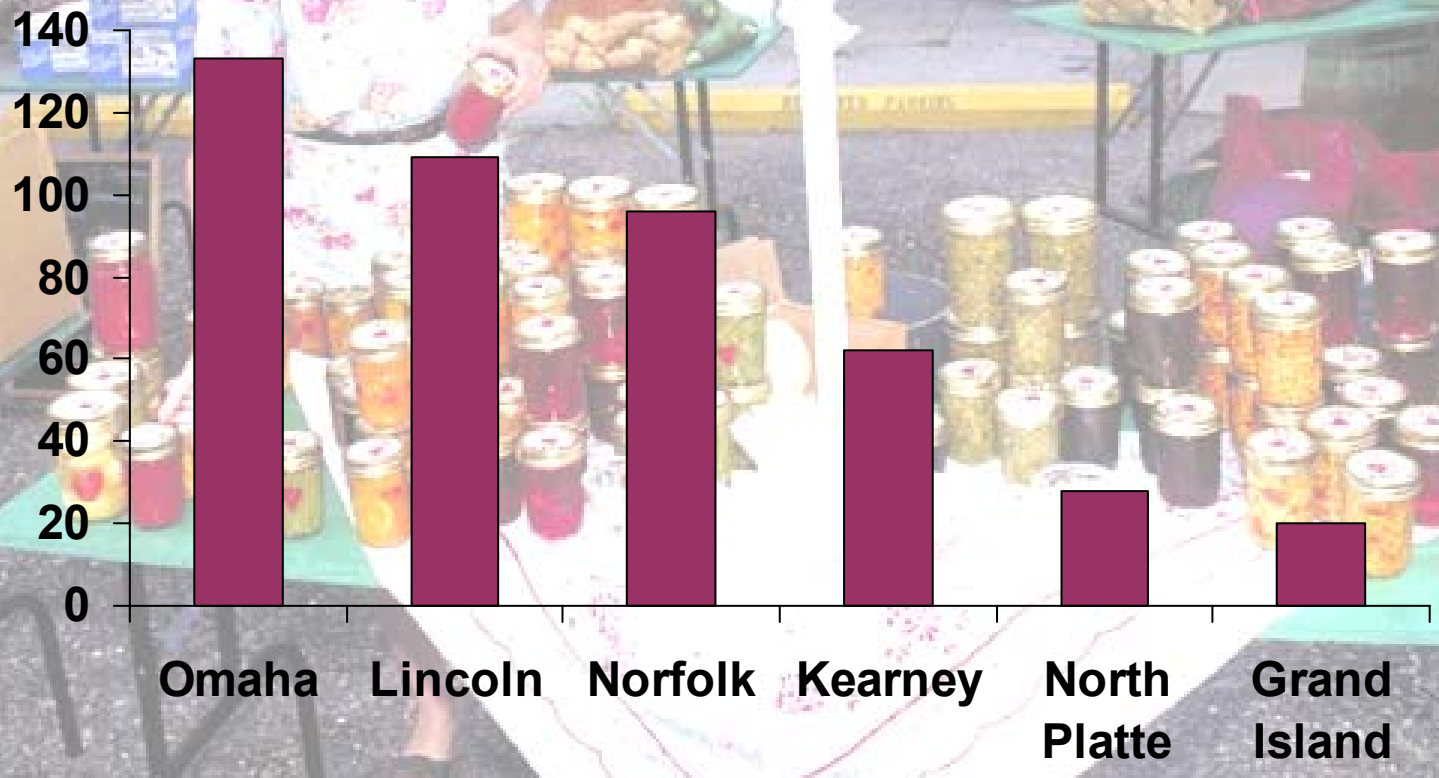
- **A local technology solution…**

  Hamilton Telecom
- **And other local leadership…**
- **Led to new business growth.**

  Software 4

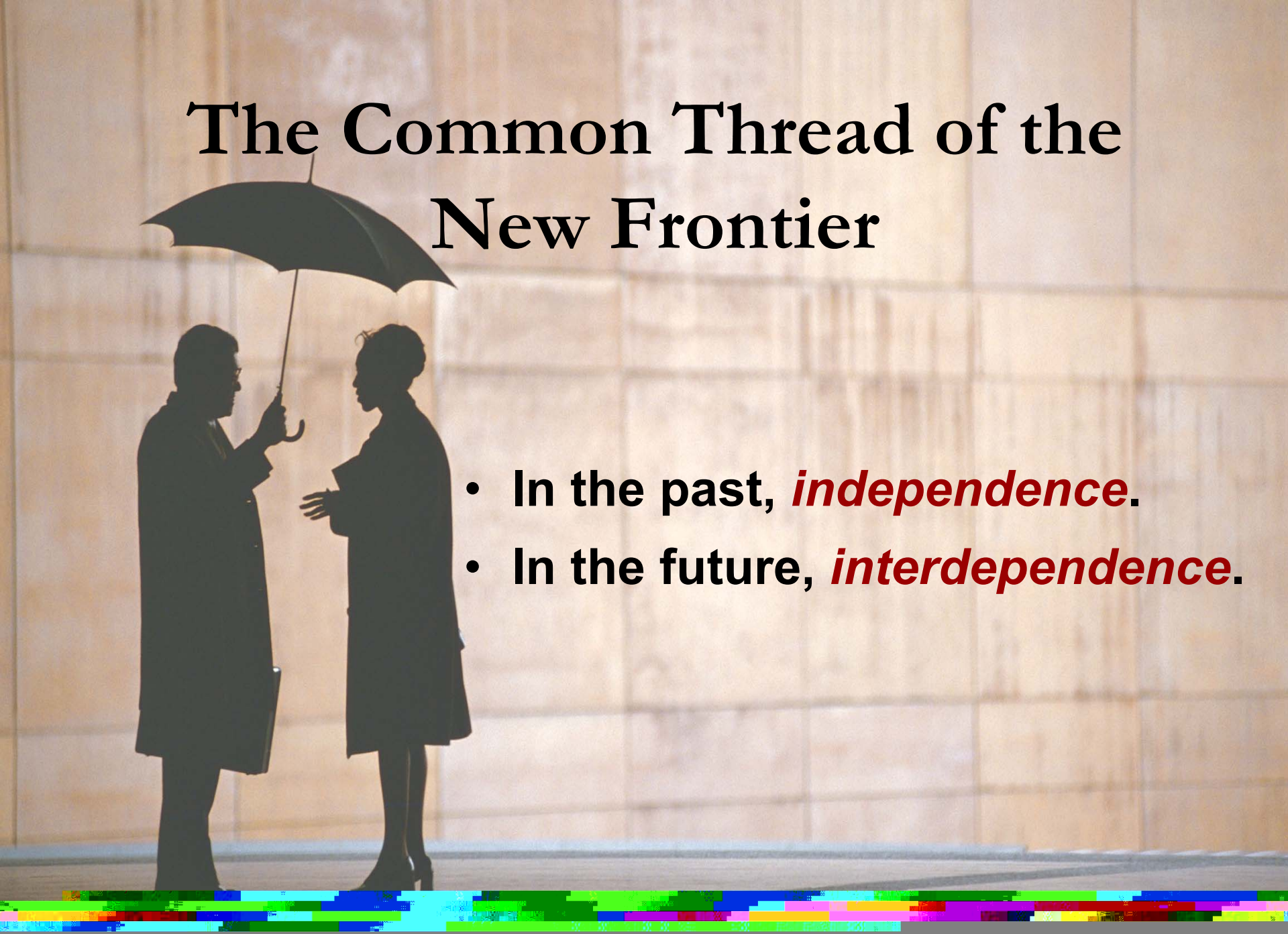
But growing entrepreneurs may be more important…

High-Growth Company Index (1991-1997)



Source: National Commission on Entrepreneurship

The Common Thread of the New Frontier



- In the past, *independence*.
- In the future, *interdependence*.

A New Frontier for Rural Policy

Three new focal points:

- **Place**
- **Partnering**
- **New competitiveness**

Why place?

- **Place is what differentiates rural communities**
- **Place is ultimately what we value in rural America…**

If we value it at all.

Why partnering?

- Most rural firms are small
- Clusters or networks make small firms competitive
- A clear focus of rural development globally.

Why regional competitiveness?

- **Krugman and Porter:**

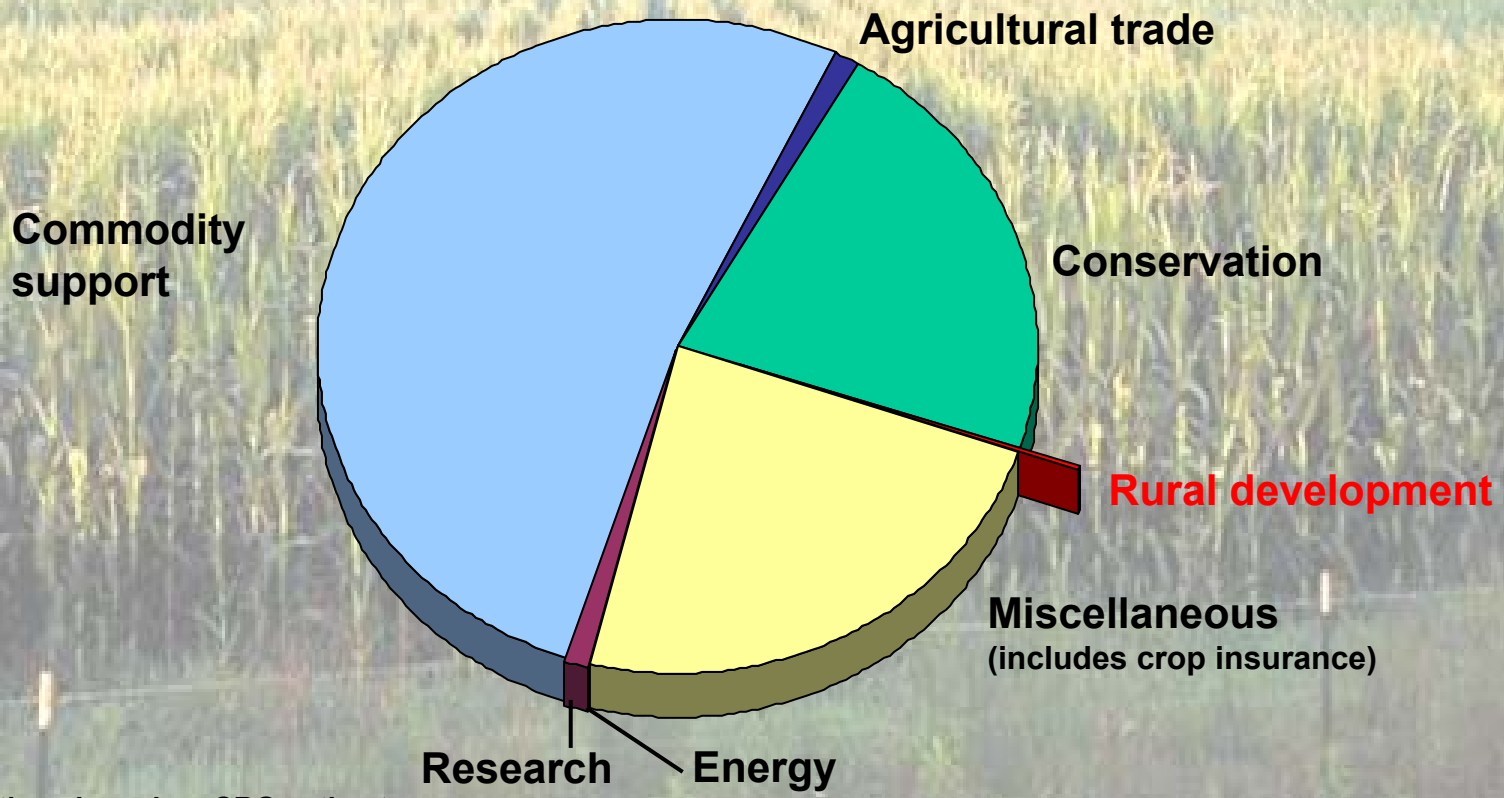
  Regions matter in a global economy.

- **The constant challenge:**

  Create new competitive advantage - don't protect the old.

U.S. rural policy still lags shifts in the rural economy…

Spending in the 2002 Farm Bill (2002-11)



Source: Calculations based on CBO estimates
Excludes Nutrition program spending

New Local Actions

- **Think and act regionally.**

  The power of critical mass.

- **Foster more entrepreneurs.**

  The power of equity capital.

- **Find institutions that will help you.**

  The power of synergies.

Conclusions

- Nebraska's economy is weak…
- Hurt by farm and factory slumps.
- Growth is dominated by Omaha-Lincoln.
- How to spur growth outstate?

Technology opens new horizons of opportunity

- **Launching new products…**
- **Eliminating distance…**
- **And forging new partnerships.**

But new businesses… Signal a new way of doing business.

- **Regional partnering.**
- **Renewed commitment to entrepreneurship.**
- **New investments in research and infrastructure.**
- **New rural policies.**