SWEPT AWAY:

CHRONIC HARDSHIP AND FRESH PROMISE ON THE RURAL GREAT PLAINS

A Socio-Economic Study of the Rural Great Plains

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CENTER *for* RURAL AFFAIRS

VALUES. WORTH. ACTION.

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Swept Away: Chronic Hardship and Fresh Promise on the Rural Great Plains was written by Jon M. Bailey, Director of the Rural Research and Analysis Program, and Kim Preston, Rural Research and Analysis Program Analyst at the Center for Rural Affairs.

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A poor man's field may produce abundant food,
but injustice sweeps it away.

Proverbs 13:23
(New International Version)

This report and its findings represent a modern day illustration of this passage from Proverbs – the people of the rural Great Plains are hard-working and abundant producers, but their livelihoods and communities are being swept away by the failures of public policy and a widening economic gulf between rural and urban areas of the region.

Swept Away is the third in a series of reports by the Center for Rural Affairs detailing the socio-economic conditions of the rural Great Plains covering the period from 1970 to 2000. In this period of time – roughly a generation – we have found the region's rural communities, particularly its agriculturally-based communities, beset by poverty rates chronically higher than the metropolitan rates; incomes and earnings significantly less than those in metropolitan areas; and continued depopulation that has resulted in a return to the "frontier" in many areas.

The most disheartening aspect of these findings is that they have changed little over the 30 years encompassed by our reports – in general, the economic position of agriculturally-based communities of the region have remained the same in comparison to more urban areas of the region. State and federal policy toward these communities has been either indifferent or ineffectual, or in some cases, primarily in agriculture, harmful. To some the future of these communities is very much in doubt. Will this in effect be the last generation to inhabit the rural Great Plains? Will these demographic, economic and policy forces figuratively sweep communities off the map?

We think the future of these communities holds abundant promise if a new rural development paradigm is swept in. Policymakers and communities in the region must recognize the character of the region is based in entrepreneurial activity and must build rural development strategies around that character. Any rural development model for the region must recognize that cookie-cutter policies and strategies that work in metropolitan areas have not and will not work in most rural communities. Finally, and possibly most importantly, the region and its people must make the status of their agriculturally-based communities a priority and focus thought, strategies, initiatives and resources upon them.

Sweeping in such a new model of rural development will prevent the agriculturally-based communities of the region from being removed from the map in another 30 years. Then we can write a modern day Proverb – The field produces abundantly, and we value it justly.

EXECUTIVE SUMMARY

Swept Away: Chronic Hardship and Fresh Promise on the Rural Great Plains describes the economic conditions of agriculturally-based communities in the six-state region of Iowa, Kansas, Minnesota, Nebraska, North Dakota and South Dakota. We identified 182 counties (of 503) throughout this region as having an agriculturally-based economy (20 percent or more of county income from agriculture).

Of these counties, 149 counties are classified as the most rural counties of the region – small in population, with no population center of 2,500 or more. We have dubbed these counties "Rural Farm" counties. Another 33 counties are classified as "Urban Farm" counties, agriculturally-based with a population center of between 2,500 and 19,999.

Together, these agriculturally-based counties comprise over 36 percent of the counties in this six-state region and about 7 percent of the region's population.

Based on United States Census data and annual data from the United States Bureau of Economic Analysis, Regional Economic Information System, the report finds the following characteristics of agriculturally-based counties in this region (with special emphasis on rural farm counties):

◆ **Population Decline**. Together, the two classifications of agriculturally-based counties lost nearly 9 percent of their population from 1990 to 2000. Conversely, the region gained over 7 percent in population during that period, with nearly all the population gain in the 50 metropolitan counties of the region. Population decline was most acute in the smallest counties, which lost over 6 percent of their population during the period.

◆ **Greater Poverty**. The percentage of people living below the poverty level in the smallest agriculturally-based counties is over 60 percent greater than in metropolitan counties (13 percent vs. 8 percent). Poverty rates in the larger agriculturally-based counties are also greater than in metropolitan counties.

◆ **Widespread Poverty**. Poverty in the agriculturally-based counties of the region is not in isolated groups within these counties. Rather, it represents the tail end of a large group of low-income households. Over one-fifth of households in agriculturally-based counties have annual income less than $15,000 (21 percent in rural farm counties, 17 percent in urban farm counties). About one in eight metropolitan households have such low household incomes. Meanwhile, nearly twice as many metropolitan households as rural households have annual incomes of $50,000 or more.

◆ **Low Income and Earnings**. Income and earnings in agriculturally-based counties are significantly lower than in metropolitan counties. The annual per capita income in rural farm counties is 73 percent of that in metropolitan counties. The gap increases when only earned income is considered. Annual per capita earnings in rural farm counties are barely half that in metropolitan counties; for the larger agriculturally-based counties, earnings are 60 percent of those in metropolitan counties.

◆ **Reliance on Unearned Income**. Agriculturally-based counties have a significant dependence upon unearned income (e.g., Social Security). Over 40 percent of annual per capita income is from unearned sources (45 percent in rural farm counties, 41 percent in urban farm counties). In general, we found that as county population size increased the dependence on unearned sources of income decreased.

◆ **Persistent Low Earnings and Income**. Despite volatility in the agricultural sector of the economy, earnings in agriculturally-based counties were persistently low. In every year from 1990 to 2000, earnings in rural farm and urban farm counties trailed those of other classifications of counties, while annual per capita incomes of rural farm, urban farm and nonfarm counties significantly trailed metropolitan incomes in every year. Agriculturally-based counties also did not follow the trend of steady upward earnings found in metropolitan counties and the less pronounced upward trend in nonfarm counties.

◆ **Entrepreneurial Character**. We found agriculturally-based counties to be extraordinarily entrepreneurial in character. In rural farm counties, 42 percent of the jobs are proprietorships (34 percent in urban farm counties; only 14 percent in metropolitan counties). Of course, that is to be expected in counties where there are still a significant number of farmers and ranchers. Yet, it is important to note that nonfarm proprietors outnumber agricultural proprietors in both types of agriculturally-based counties. Nonfarm proprietorships are where much of the job growth is occurring in agriculturally-based counties. Despite population declines in agriculturally-based counties, nonfarm proprietorships grew at the same or greater rates in those counties as in metropolitan counties.

Two important caveats are in order. First, even though these counties are classified as "agriculturally-based," they are not populated solely by farmers and ranchers. Despite the fact that the economies of these counties are largely dependent upon agriculture, 80 percent or more of their residents possess non-agricultural employment. Second, the data used for this report are for a period that ends in 2000. Any affects from the current recession and economic slowdown are not included.

While this report does not pretend to be a comprehensive review of either the economic development policies of each state of this region or the rural development policy of the federal government, we do offer the following implications and recommendations for pubic policy apparent from our work in agriculturally-based communities and from the data presented in this report:

◆ **States should develop comprehensive development policy for rural and agriculturally-based communities.** This policy would include a paradigm shift from competitiveness to cooperation, greater regional collaboration, establishment of a specific public philosophy of sustaining these communities, and development of greater capacity of communities through inter-local cooperation.

◆ **Increased support, particularly by states of "New Generation Agriculture**," a model of agriculture rooted in family-scale farming and ranching, and that includes strategies and activities seeking to re-establish the link between farmers and ranchers and consumers by providing food and fiber more directly to consumers through cooperatives, community-based value-added activities, and direct marketing.

◆ **Cultivation of a new generation of farmers and ranchers through federal and state initiatives** that provide incentives to people to enter farming and ranching and that provide beginning farmers and ranchers access to agricultural assets.

◆ **Increased support, particularly by states, of programs that provide lending capital and technical assistance to microenterprises and small businesses**.

◆ **Integration of conservation programs and community development** to provide an opportunity for communities and land owners to realize economic advantage from a resource advantage.

◆ Realize economic advantages from the large amount of passive income in agriculturally-based communities by **providing incentives to private investment** in those communities.

◆ **Federal rural development policy should be regionally based rather than nationally based** so as to address the unique issues, challenges and opportunities in the agriculturally-based communities of this six-state region.

◆ Economic development of agriculturally-based communities must be accompanied by the **building of human and organizational resources.**

PART I.

THE ECONOMIC STATUS OF AGRICULTURAL COMMUNITIES

In the midst of unprecedented national economic growth and a strong regional economy, chronic hardship persists in the predominately rural, agriculturally-based communities of six Great Plains states in the North Central region: Iowa, Kansas, Minnesota, Nebraska, North Dakota and South Dakota.

Policymakers and national philanthropies continue to neglect the economic status of these rural communities largely because they defy most stereotypes about poverty. Unemployment rates are generally low. There are few minorities (though certain areas of these states experienced growth rates among the nation's largest in minority population during the 1990s). Low-income people in these communities are not concentrated in small geographic areas, and the homeless are generally invisible. Although large in area, these communities are home to a small portion of the region's population.

This report updates other Center for Rural Affairs' reports on the condition of rural communities in this region – the 1989 report *A Socio-Economic and Demographic Profile of the Middle Border,*[1] the1990 rural economic policy review, *Half a Glass of Water*[2]*,* and the 2000 study *Trampled Dreams: The Neglected Economy of the Rural Great Plains.*[3] Those reports documented the wide economic gap between agriculturally-based counties and other areas of the same six states based on data from 1970 to 1997. The current study covers 1990 to 2000 (somewhat overlapping with *Trampled Dreams*, which covered 1988 to 1997*).*

The decade of the 1990s included both a national recession and the longest sustained period of economic growth in the nation's history. Given these circumstances, it was reasonable to assume the agriculturally-based communities of this region had reaped some economic benefits from the national economy, and the gap between rural and urban areas may have narrowed since the previous studies. However, the results reveal that the economic hardships in rural agriculturally-based communities have persisted into the 21st century.

DATA

The statistics for each class of county are based on unweighted county averages. Data for this study were taken from the United States Department of Commerce, Bureau of Economic Analysis, Regional Economic Information System for the period 1990 to 2000. Population figures and the 1999 poverty rates are derived from the United States Bureau of the Census. Income distributions are from the 2000 Census. An appendix is attached which contains technical data and definitions.

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[1] Funk, Patricia, *A Socio-Economic and Demographic Profile of the Middle Border*, Center for Rural Affairs, 1989.

[2] Strange, Marty et. al., *Half a Glass of Water:State Economic Development Policies and the Small Agricultural Communities of the Middle Border*. Center for Rural Affairs, 1990.

[3] Funk, Patricia and Bailey, Jon, *Trampled Dreams: The Neglected Economy of the Rural Great Plains*, Center for Rural Affairs, 2000.

COUNTY CLASSIFICATION

The study utilizes the 1993 Economic Research Service (ERS), United States Department of Agriculture (USDA), county typology system to categorize the 503 counties of the six states included in the analyses; such typology was also used to remain consistent with the previous studies. Counties are divided into four categories: **rural farm, urban farm, nonfarm and metropolitan** (metro).[4] These are defined as follows:

Table 1. County Classification Criteria

Category	Definition
Rural Farm	a weighted annual average of at least 20% of 1990-2000 total labor and proprietor income from farming, and a 2000 urban population of less than 2,500.
Urban Farm	a weighted annual average of at least 20% of 1990-2000 total labor and proprietor income from farming, and a 2000 urban population of 2,500 to 19,999.
Nonfarm	non-metropolitan county with a weighted annual average of less than 20% of 1990-2000 total labor and proprietor income from farming.
Metro	designated as part of a Metropolitan Statistical Area (MSA) based on the 2000 Census.

Table 2 shows the distribution of the region's counties and population by county type. Counties classified as rural farm and urban farm are jointly referenced as agriculturally-based. Over one-third of the counties of the region are agriculturally-based (36%); these counties are home to about 7 percent of the region's population. More than half of the region's residents live in metropolitan counties, which comprise only 10 percent of the total counties in the region.

Table 2. Distribution of Regional Counties and Population by County Type

	Counties		2000 Population	
	Number	Percent	Number	Percent
Rural Farm	149	29.6%	627,018	4.7%
Urban Farm	33	6.6%	356,434	2.4%
Nonfarm	271	53.9%	4,823,716	35.9%
Metro	50	9.9%	7,643,911	56.8%
Total	503	100%	13,451,079	100%*

* may not equal 100% due to rounding

[4] On June 6, 2003, the U.S. Bureau of the Census announced new Metropolitan Statistical Areas based on 2000 Census data. Since this report examines data from 1990 to 2000, it employs the Metropolitan Statistical Areas in existence during that period.

In comparing these figures with those of previous studies a clear trend emerges — the number of agriculturally-based counties is decreasing. In *Half A Glass of Water* (based on 1986 data and with a higher threshold of agriculturally derived income) 55 percent of the region's counties were classified as agriculturally-based. In *Trampled Dreams* (based on data from 1987 to 1989 and using the same classification thresholds as above) over half of the region's counties remained agriculturally-based (52 percent); by 2000, that figure had been reduced to just over 36 percent.

During the 1990s, 79 counties transformed from agriculturally-based counties to non-farm counties. Though many of these counties still have significant agriculture activity within their boundaries, a changing and more diversified economy combined with declining agricultural incomes adjusted their classification and character.

Now, non-farm (but, in most cases, still rural) counties dominate the region. This change has significant implications for the type of rural policy and rural development activities that should take place in the region.

A state-by-state analysis of county classifications shows a distinct grouping based on the rural agricultural characteristics of each state. Nebraska, South Dakota and North Dakota (in that order) are the most "rural agricultural" states of the region, with over 40 percent of the counties in each state being classified as agriculturally-based (rural farm or urban farm).[5] Conversely, Iowa, Kansas and Minnesota, while containing many rural counties, have significantly fewer agriculturally-based counties.[6]

One of the interesting comparisons of this study and the previous ones is the vanishing agriculturally-based county in both Iowa and Minnesota. Despite this division, each of the six states has significant amounts of land and population in agricultural communities. In this sense, each of the states in the region face common issues concerning their rural and agricultural areas, and those areas — regardless of state borders — have common economies.

POPULATION CHANGE

The population of the region increased by 7.2 percent between 1990 and 2000. Nearly all of the region's growth came from metropolitan areas; rural farm counties in the region had a population loss of over 6 percent, while metropolitan county population increased on average by over 12 percent (see Figure 1).

Population declines were widespread among agriculturally-based communities, with 85 percent of rural farm counties and 73 percent of urban farm counties losing population over the 10-year period. Among more urban counties population loss was less widespread. About 47 percent of nonfarm counties lost population, while only 6 percent of metropolitan counties saw population declines.

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[5] Nebraska has 67 percent of its counties in these two classifications; South Dakota 61 percent; North Dakota 43 percent.

[6] In Kansas, 27 percent of counties are classified as either rural farm or urban farm; in Iowa, 19 percent are so classified; in Minnesota, 12 percent.

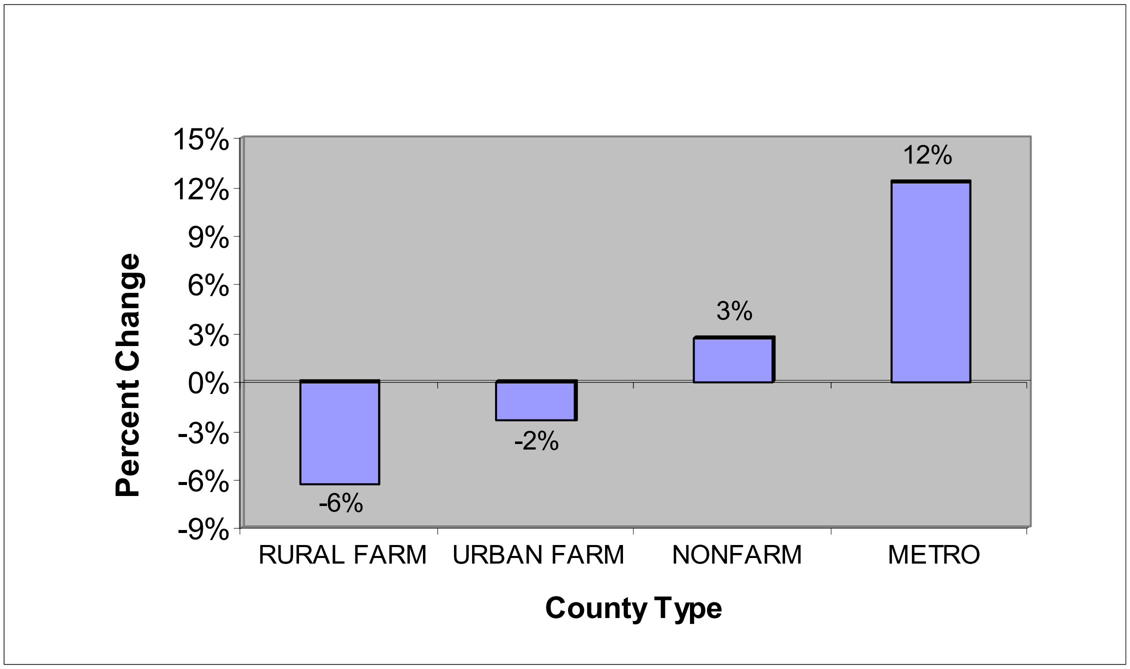

Figure 1. Population Change 1990 to 2000

POPULATION DISTRIBUTION BY AGE

The counties of the region differ substantially not only in their total population but on the age distribution of their population (Figure 2). Agriculturally-based counties of the region have relatively high proportions of youth. Urban farm counties have the highest percentage of people under 18 (22 percent of the total population for those counties), followed closely by rural farm and nonfarm counties (both about 20 percent). Metropolitan counties have the smallest percentage of people under 18 in their population. While there is a relatively even distribution of youth across county classifications, it is obvious that youth migrate away from rural areas to urban areas once they graduate high school.

Metropolitan counties, however, easily outpace other counties in the next two age groups, those residents from 18-44. As people attend college and enter the working world, the jobs, economies and social life of metropolitan counties become more attractive. Nearly one-half of the metropolitan county population of the region is between the ages of 18 and 45.

Nonfarm counties — with larger populations than the agriculturally-based counties — demonstrate a miniature model of this phenomenon with over 40 percent of their population between the ages of 18 and 45. As agriculturally-based communities lose population of child-bearing and prime earning years to urban areas, the economy and institutions of rural communities will continue to suffer. This suggests that the lack of rural economic opportunity is a growing demographic force that has significant long-term implications for a large part of the region.

The agriculturally-based counties contain a heavier distribution of their population at the older end of the population scale. Over 40 percent of the population of both rural farm and urban farm counties is comprised of people 45 years of age or older. Rural farm counties contain the largest number of senior citizens (by percentage) of any county type, nearly twice that of metropolitan counties. Again, this demographic distribution has implications for the type of development needed and feasible in rural communities.

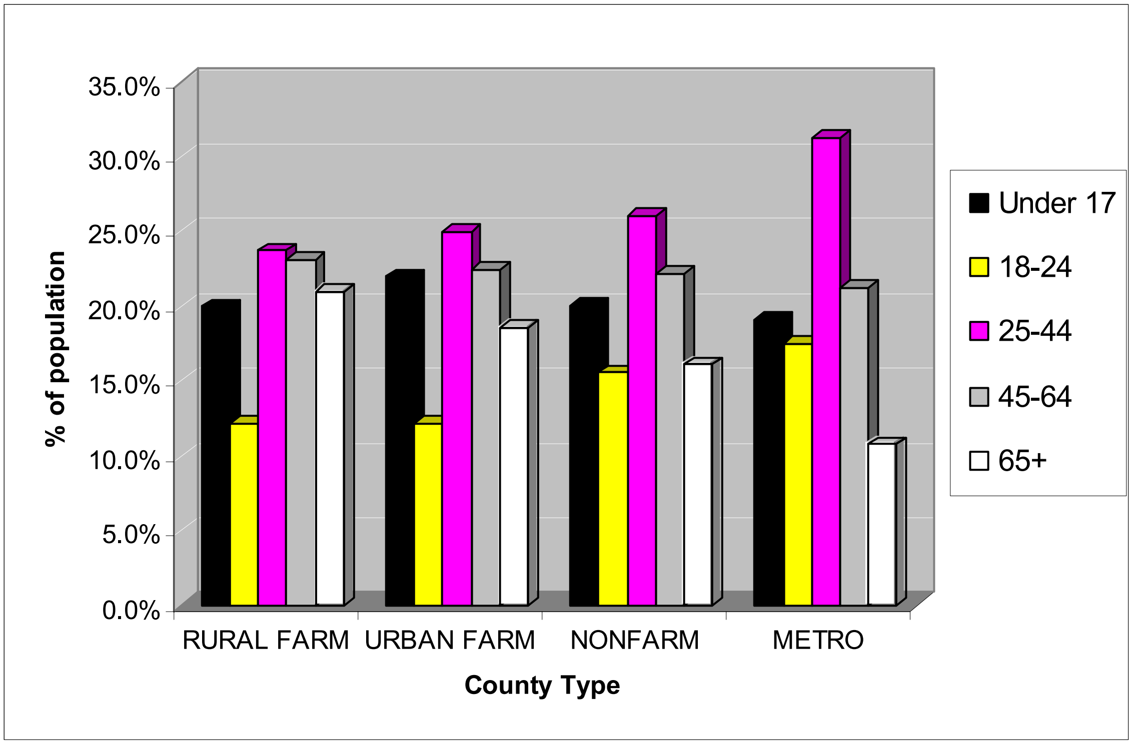

Figure 2. Population Distribution by Age 2000

POVERTY AND INCOME

There is less poverty overall in the region than nationwide. The regional poverty rate of 9 percent is 76 percent of the national rate.[7] However, when the regional poverty rate is broken down by county type, evidence of a two-tiered economy continues to be evident.

Rural farm counties have substantially higher poverty rates than any other type of county. At 13 percent, the rural farm county poverty rate is higher than the national poverty rate and exceeds the regional metropolitan rate by nearly 60 percent. Overall poverty rates for the other three county classifications are lower than the national rate. Figure 3 outlines the poverty rates for each of the county types in the region.

The United States Census Bureau uses a set of money income thresholds that vary by family size and composition to determine who is poor. If a family's total income is less than that family's threshold, then that family, and every individual in it, is considered poor. The

[7] The national poverty rate in 1999 was 11.8 percent (i.e., 11.8 percent of all people were below the federal poverty level).

poverty thresholds do not vary geographically, but they are updated annually for inflation using the Consumer Price Index (CPI-U). The official poverty definition counts money income before taxes and does not include capital gains and noncash benefits (such as public housing, Medicaid and food stamps).

An example using the 1999 poverty threshold illustrates how the poverty rate is determined. A family household of four people including two related children had a poverty threshold of $16,895 in 1999. If the family's total income was at or below that figure, all four members of the family would be considered poor.

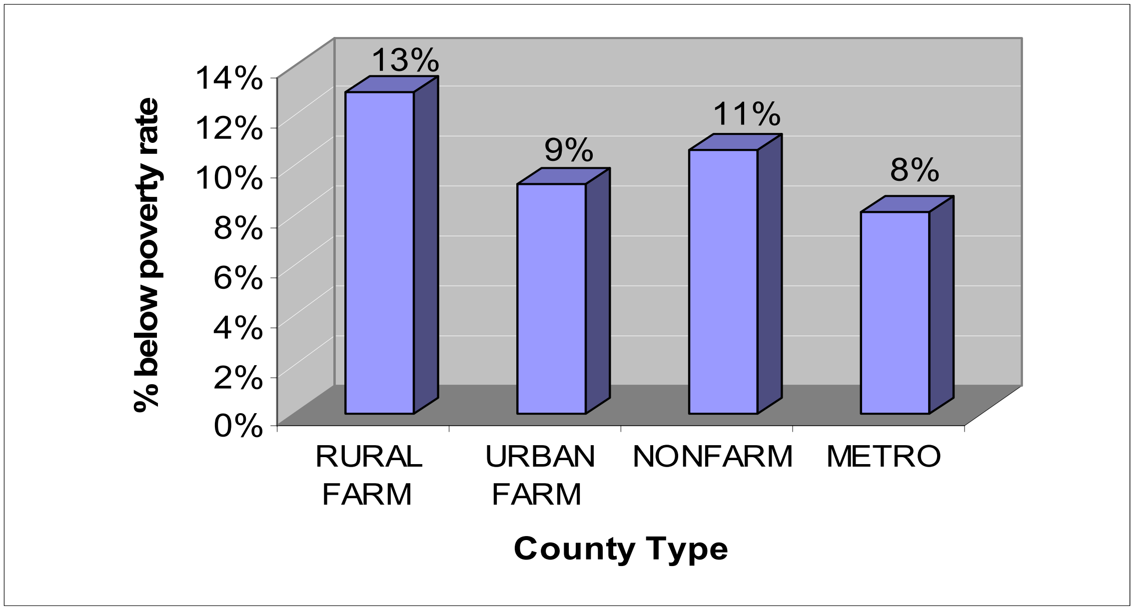

Figure 3. Average Poverty Rates 1999

Compared to the data presented in *Trampled Dreams*, average regional poverty rates declined in all four county groups. *Trampled Dreams* presented the average poverty rates for 1995; this study presents the average poverty rates in 1999. In those four years, average poverty rates declined in urban farm, nonfarm and metropolitan counties by 10 or more percent – 16 percent in urban farm counties, 12 percent in nonfarm counties and 10 percent in metropolitan counties.

Poverty rates declined in rural farm counties by 7 percent. While poverty rates declined in the most rural and most agriculturally-based counties of the region, it is still more prevalent and slower to decline than in other areas of the region.

The poor are not just isolated groups in agricultural communities. Rather, they represent the tail end of a large group of low-income households. Data from the 2000 Census indicate that, on average, more than one-in-five households in rural farm counties had 1999 incomes below $15,000; one-in-four households in rural farm counties had incomes of $50,000 or more.

By contrast, nearly half the households in metropolitan counties had incomes of $50,000 or more, and only 12 percent of metropolitan county households had incomes less than $15,000. Seventy-five (75) percent more households were at the low end of the income distribution table in rural farm counties than in metropolitan counties. Figure 4 below outlines the income distribution for households in each of the county types of the region.

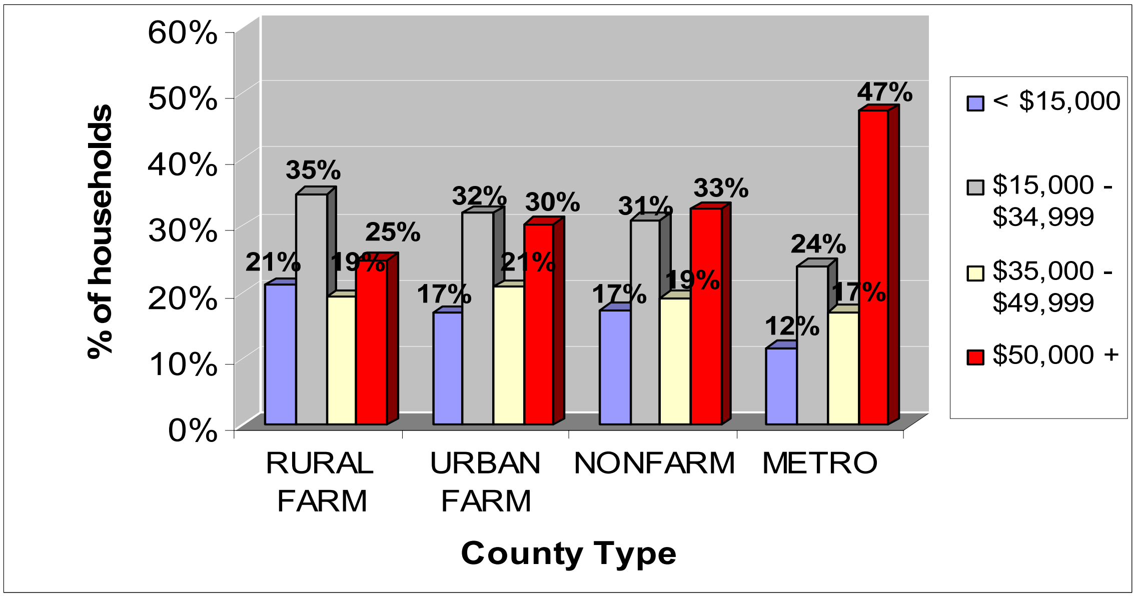

Figure 4. Household Income Distribution, 1999

The weak economic status of agricultural communities persisted throughout the 1990s even though that decade included the longest sustained period of economic growth in the nation's history and a record year (1996) for agricultural income. Annual per capita income for the period is lowest for rural farm counties, averaging 73 percent of metropolitan county income (see Figure 5). This compares to an average rural farm county per capita income of 83 percent of metropolitan income during the period covered by *Trampled Dreams.*

Rural farm counties are falling further behind in relation to metropolitan county incomes. Per capita income is higher in urban farm counties than in rural farm counties, but still barely three-quarters of the metropolitan county average. These figures demonstrate both the lag in rural incomes compared to metropolitan incomes and the extreme economic benefits urban areas witnessed during the boom of the 1990s. The individual states in the region show similar income gaps: average annual per capita income in rural farm counties as a percentage of metropolitan county average income ranges from a low of 66 percent in Minnesota to a high of 88 percent in Kansas.

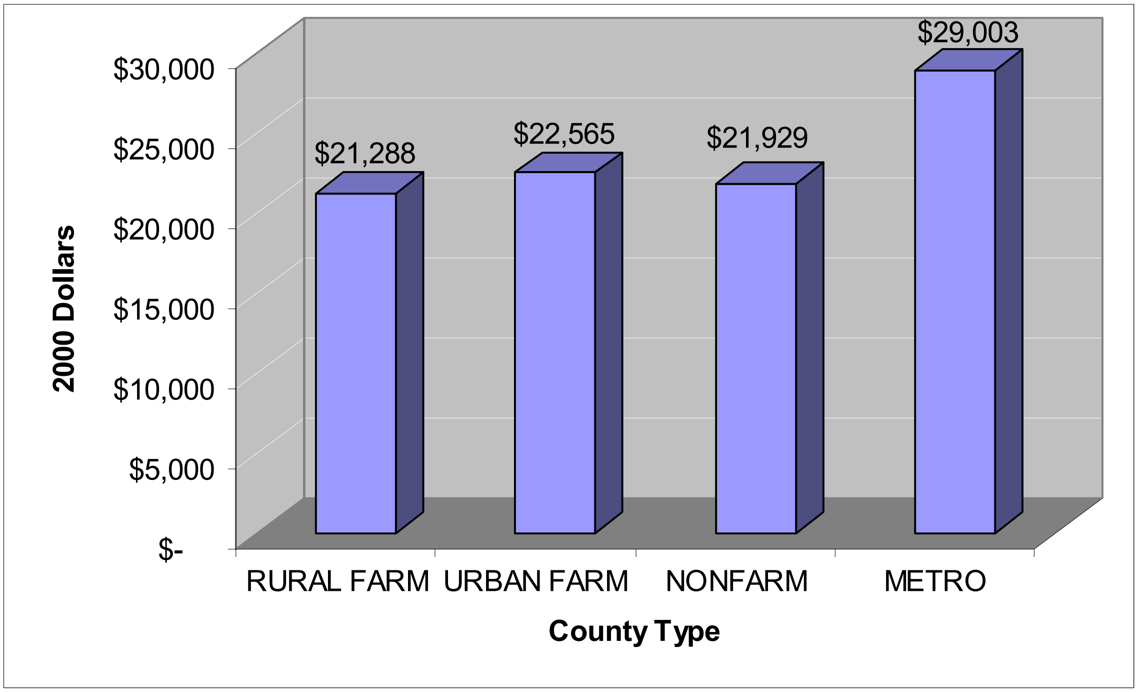

Figure 5. Annual Average Per Capita Income, 1990 to 2000

When only earned income is considered, the gap for rural farm counties is even greater. Average annual per capita earned income for the 1990s is lowest in rural farm counties, averaging barely half (52 percent) the level for metropolitan counties. Earned income in urban farm counties also falls below nonfarm counties, and is about 60 percent of the earnings level of metropolitan counties.

These data reflect not only the low level of earnings from both farm and nonfarm employment, but also the considerable reliance of agricultural communities on unearned income. Unearned income in both rural farm and urban farm counties represents more than 40 percent of annual average per capita income during the period; in comparison, unearned income in metropolitan counties represents only 23 percent of annual average per capita income. Figure 6 below outlines the per capita earnings levels for each of the county types in the region.

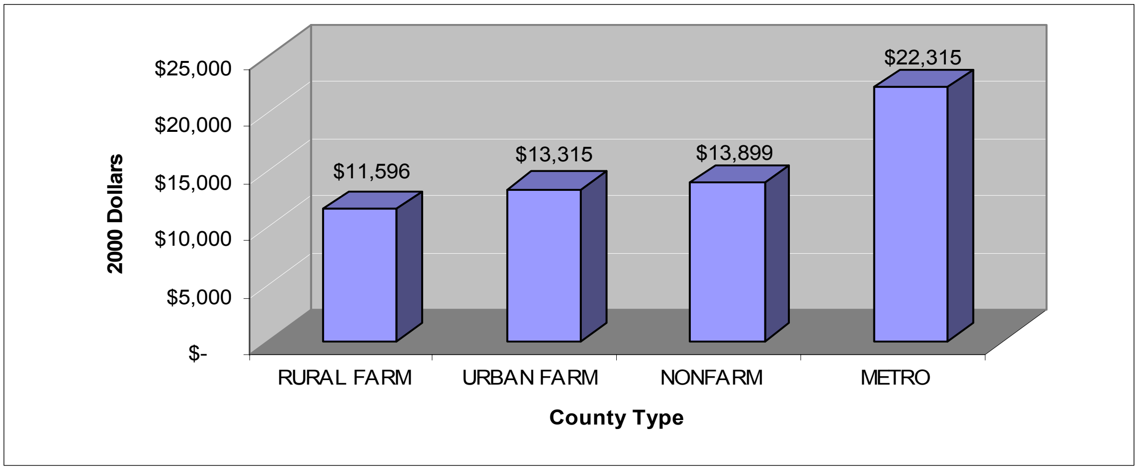

Figure 6. Annual Average Per Capita Earnings, 1990 to 2000

Annual per capita earnings from 1990 to 2000 indicate the disparity between agricultural communities and other counties is long standing, and the gap widened during the period (see Figure 7). At the beginning of the decade, the average person in rural farm counties earned 58 percent of the average person in metropolitan counties. By 2000, the average rural farm county resident earned only 48 cents of every dollar earned by a metropolitan county resident. The findings of previous studies reveal that the disparity is chronic – the annual per capita earnings of agricultural communities fell below nonfarm and metropolitan counties in 1976 and have remained lower ever since.

Figure 6 also shows more volatility in the earnings level of farm counties, likely due to the erratic performance of the agriculture sector during the 1990 to 2000 period. Even during the agricultural income record year of 1996, per capita earnings of rural farm counties were substantially lower than other counties. In general, metropolitan county earnings show a steady upward trend, while rural farm county earnings rose and fell during the period without leaving the bottom tier.

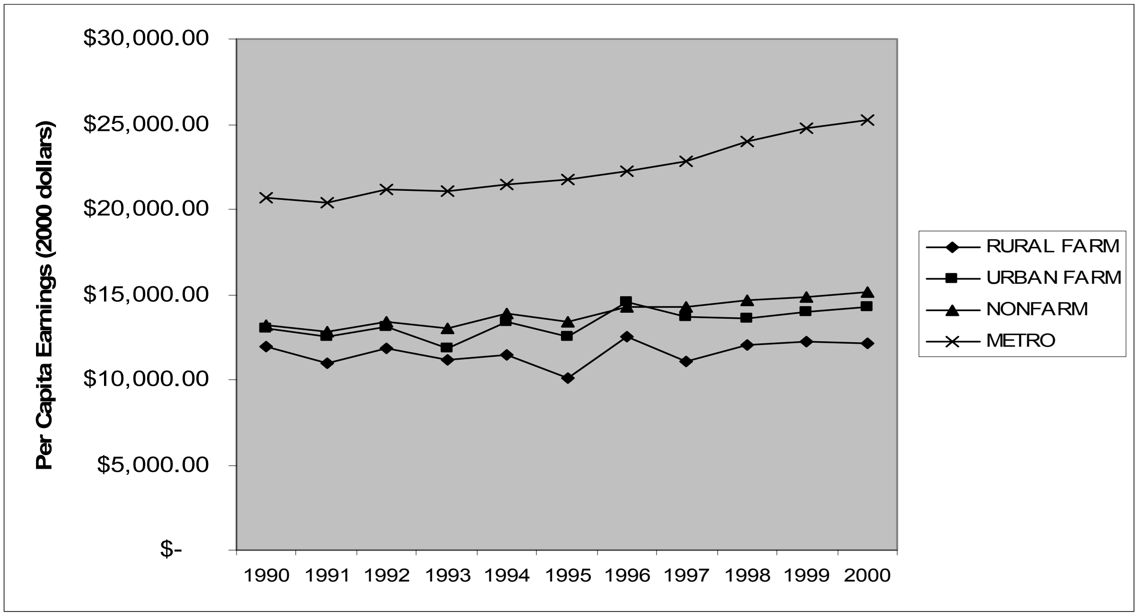

Figure 7. Per Capita Earnings 1990 to 2000

A similar phenomenon exists when year-by-year data of average annual per capita income is examined (Figure 8). Income levels for metropolitan counties in the region show a steady upward trend during the period, with the other three county classifications remaining grouped together significantly below metropolitan counties. Again, this demonstrates the metropolitan counties of the region received the vast majority of benefits of the economic growth of the 1990s.

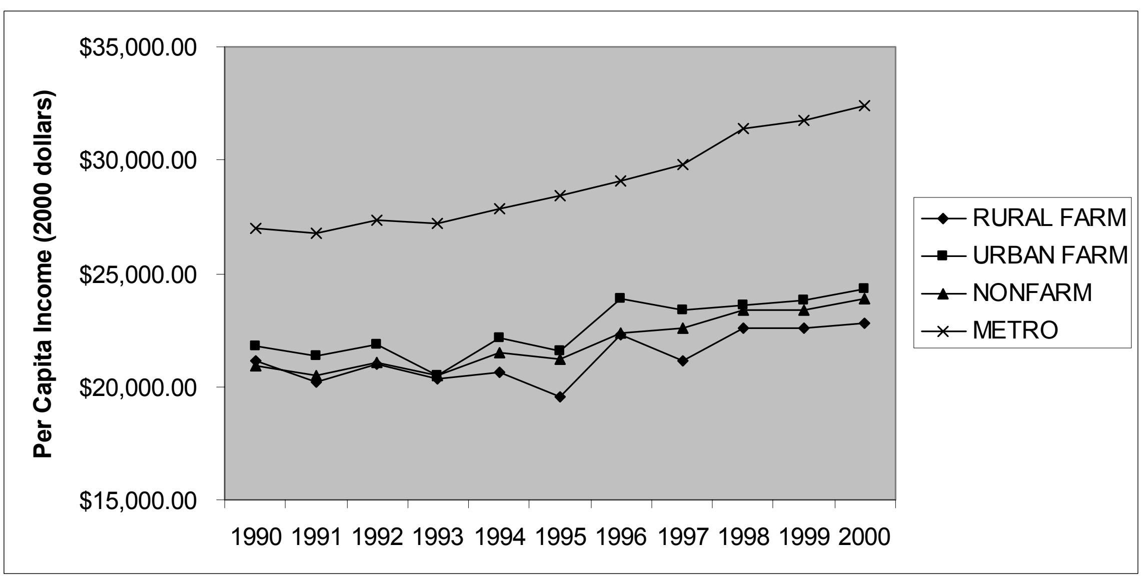

Figure 8. Per Capita Income 1900 to 2000

This disparity between rural and urban also has appeared in other measures. The Corporation for Economic Development (CFED), for example, has devised a "Rural/Urban Disparity" index, which measures both long-term and short-term differences in income and employment between rural and urban areas of states.

Not surprisingly, the states in this study did not fare well. In an average of the 2000-2002 indices, all of the states were in the bottom half of the CFED "Rural/Urban Disparity" index, showing above average disparity. The states and their ranks are: Kansas (27), Minnesota (27), Iowa (31), Nebraska (32), South Dakota (35) and North Dakota (39).[8]

JOBS AND EMPLOYMENT

A distinctive characteristic of employment in agriculturally-based communities is the relatively high level of self-employment. An obvious factor is the number of farm and ranch owner-operators; farm proprietors account for 20 percent of all jobs in rural farm counties in 2000 (24 percent in 1990).

Less obviously, nonfarm self-employment rates are much higher in agriculturally-based communities than elsewhere in the region: nonfarm proprietors comprise a larger portion of total jobs and a much larger portion of nonfarm jobs in both categories of agriculturally-based counties than in other counties. Figure 9 below outlines the distribution of jobs in each of the county types in the region.

While the economies of rural farm and urban farm counties are based in large measure on agriculture, farm and ranch employment is not dominant. While many jobs and businesses are dependent directly or indirectly on the performance of the agricultural sector, the economies of agricultural communities are becoming more diverse. Policy responses should reflect both agricultural and nonagricultural economies.

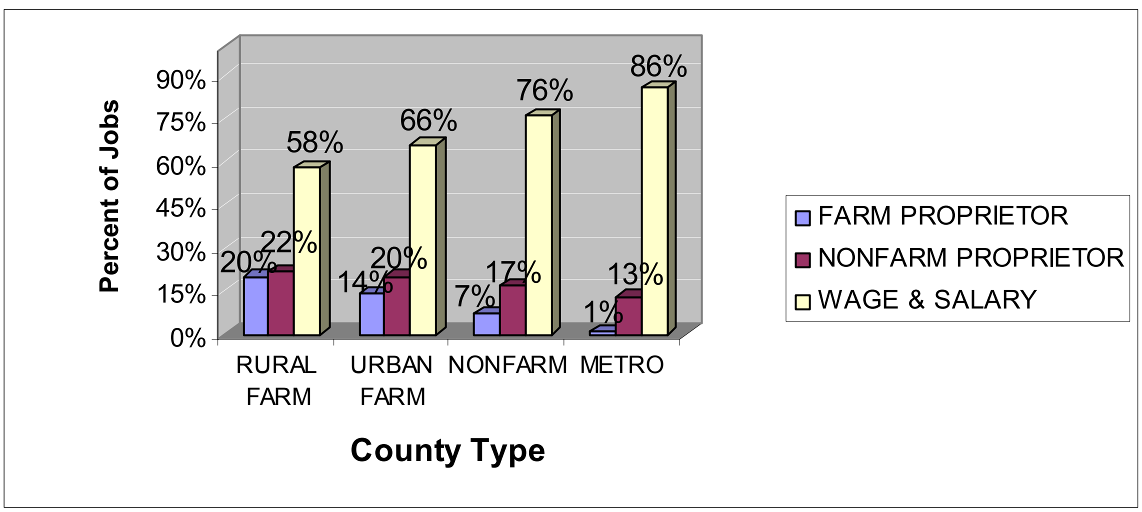

Figure 9. Distribution of 2000 Jobs by Place of Work

The prominent role of nonfarm self-employment in agriculturally-based communities reflects not only a strong level of entrepreneurship, but also the weak growth of wage and salary employment. This characteristic is shown clearly in the 1990 to 2000 job growth rates

[8] *2000, 2001 and 2002 Development Report Card for the States*, Corporation for Economic Development, Washington, DC (2001, 2002 and 2003).

for farm and nonfarm proprietor and wage and salary jobs by place of work as shown in Figure 10.[9]

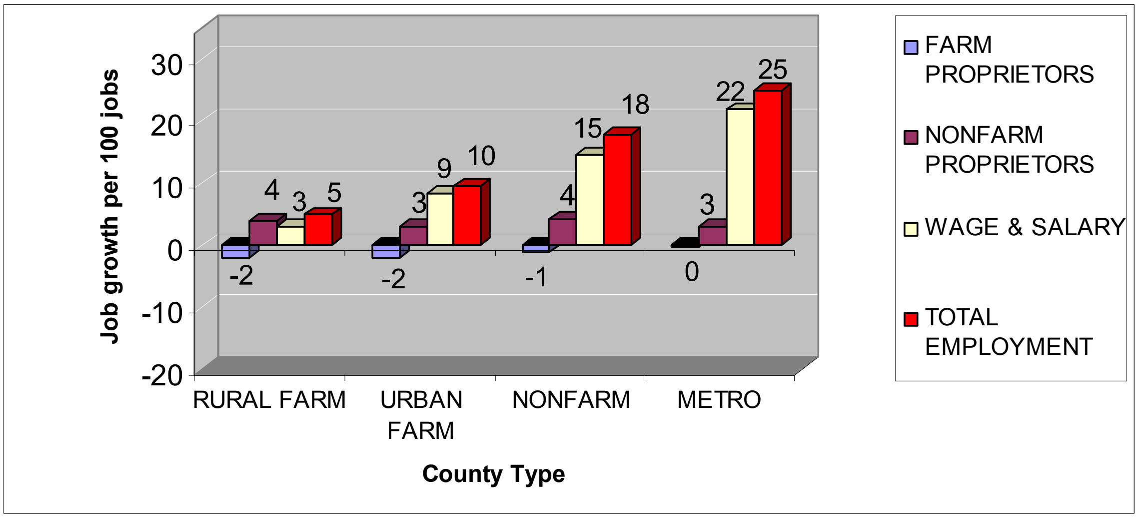

Figure 10. Job Growth Rates 1990 to 2000

Three trends of note jump out in job growth patterns from 1990 to 2000. First, there has been a continual decline in farm proprietors in agriculturally-based counties; as the region continues to lose farmers and ranchers, that is to be expected. Although the percentage decline in farm proprietors is similar across county types, the impact on total jobs is obviously greater where farming is more predominant.

Second, nonfarm self-employment growth is strong in agriculturally-based communities. Despite population decline, rural farm counties gained 4 additional nonfarm proprietors by 2000 per 100 total jobs in 1990. Metropolitan counties, which averaged a strong 12 percent population growth during this period, had a nonfarm proprietor growth rate of 3 per 100 total jobs.

Counties that lost significant amounts of their population created nonfarm self-employment jobs at a greater rate than did counties that experienced rapid population growth. Nearly 60 percent of all jobs created in rural farm counties are attributable to nonfarm self-employment.

Without these jobs, rural farm counties would have had nearly non-existent job growth during the period. Nonfarm proprietors were also crucial to the economies of urban farm counties, representing 25 percent of all jobs created during the period.

The third trend is the extremely weak growth of nonfarm wage and salary jobs in agriculturally-based communities. Rural farm counties gained nonfarm wage and salary jobs at only one-seventh the rate for metropolitan counties, and urban farm counties had less

[9] The growth rate for each of those categories was calculated for each county by dividing the net change in the number of those jobs by the number of total jobs in 1990 and multiplying the result by 100. The growth rate calculated for total jobs reflects the percentage growth in the number of jobs.

than half the job growth of metropolitan counties. It is clear agriculturally-based communities — particularly the smallest communities — cannot depend on wage and salary jobs for economic growth.

Overall, jobs in rural farm counties grew by five percent, one-fifth the rate for metropolitan counties. Job growth was stronger in urban farm counties, but still only about half or less than the nonfarm and metropolitan rates. It may seem surprising that there was any job growth at all in agricultural communities given the declining population. However, jobs are not workers: both full-time and part-time jobs are counted, and many workers in rural and agricultural communities hold multiple jobs.[10]

The region as a whole had a 21 percent job growth rate, while the population grew by only seven percent. This suggests a growing dependence on part-time and multiple jobs. The strong job growth rate also likely reflects lower unemployment and increased labor force participation in addition to relatively high rates of multiple job holding.

SUMMARY

The relative economic status of agriculturally-based communities in the region did not improve in the 1990s. During the period 1990 to 2000, rural farm counties have been at the opposite end of the economic performance ladder from metropolitan counties: declining population compared to strong growth, poverty rates that are nearly 60 percent higher, per capita incomes that are 27 percent lower, and job growth rates that are 80 percent lower.

It is clear that the two-tiered economy identified in previous studies still exists in the region and is widening: an urban and metropolitan economy that is prosperous and growing; a rural, agricultural economy that is suffering and contracting.

These hard economic conditions are not new for agriculturally-based counties. In fact, as general trends, they were also reflected in *Half A Glass of Water* and *Trampled Dreams.* Together, these studies provide evidence of disparate economies in the region for an entire generation.

The economic conditions of agriculturally-based communities in the region also do not reflect the broad economic impact of a "farm crisis." They are longstanding, chronic conditions national and state policies have barely recognized or addressed.

In spite of their hardships, agriculturally-based communities have a number of important strengths — strong social capital, good schools, strong families and substantial entrepreneurial capacity — as a foundation to support economic development. The next section outlines our recommendations for public and private strategies to revitalize the economies of these communities.

[10] In fact, this region leads the nation in multiple job holding. Based on 2001 data, the six states in the region were among the top 10 states in the nation in the percentage of their workforce holding more than one job. Nebraska ranked first in the nation with 10.4 percent of its workforce holding more than job. Other rates and rankings are: North Dakota (2; 9.9%), South Dakota (6; 8.7%), Minnesota (7; 8.4%), Kansas (8; 8.3%), and Iowa (9; 8.1%). *Multiple Job Holders in North Dakota: 1994 to 2001*, The Economic Briefs, North Dakota State Data Center, North Dakota State University (Vo. 12, No. 2, February 2003).

PART II.

POLICY IMPLICATIONS AND RECOMMENDATIONS

This report has described the economic conditions of agriculturally-based communities in six North Central states at the end of the 20th century. The report also shows in the nearly 15 years the Center for Rural Affairs has released similar reports covering 30 years of data, little has changed in the economic status of these rural communities. This suggests that one or both of the following scenarios exist — either the current model of rural development policy has not worked, or public policy has neglected these communities while most other communities of the region and the nation experienced economic growth.

This report does not present a comprehensive review of either state or federal economic and rural development policies. We do, however, draw a number of implications and make recommendations that are derived from our work in the agriculturally-based communities in this region and from the data presented in this report.

A. The Area as a Region

The earlier studies of this geographic area claimed that the agriculturally-based communities of these states constituted a "region" in the truest sense of the term because they shared several defining characteristics. These characteristics remain. In an era of increasing economic diversity, where local, national and international economies are linked together by breathtakingly fast technology, the agriculturally-based communities of these states are quite distinct. In three critical areas, the agriculturally-based counties we analyzed have much in common:

◆ They share a dependence of some measure upon one sector of the economy – agriculture – shaped primarily by federal policy and, increasingly, international trade policy.

◆ The economies of these counties at best are sluggish when compared with the economies of other places in the region.

◆ Though a significant portion of the region's landmass, they constitute a political and demographic minority in each state, making effective public policy to address the unique issues of these communities an even greater challenge.

We identified 149 counties throughout this six-state region as "Rural Farm" — small in population with an agriculturally-based economy, and 182 counties of the 503 in the region as agriculturally-based. These counties are of greatest concern to us.

This concern is precisely because of a dichotomy — these counties are both large in number and small in numbers. They lack the critical mass of population to influence elections and public policy, yet it is not practical (or morally defensible) to allow an entire, vast area of this region to whither away simply because it lacks political or electoral muscle.

Taken together, the two groups of agriculturally-based counties contain nearly 1 million people, a significant number by any measure. They represent people and communities with unique needs and issues, unique attributes and challenges.

"Nonfarm counties" now constitute a majority of the counties in the region and over one-third of the region's population. Unlike our previous studies where these counties were primarily smaller urban centers, non-farm counties in the region now contain a significant number of rural counties.

For a variety of reasons — a diversifying economy along an interstate highway, changing population, or a dominant local industry — the economic dependence on agriculture is declining in these counties. But significant agricultural activity and a significant "ruralness" still exists in many of these counties. As such, many of our recommendations will address these counties as well.

B. Policy Recommendations

- **States should develop comprehensive development policy for rural and agriculturally-based communities.** This policy would include a paradigm shift from competitiveness to cooperation, greater regional collaboration, establishment of a specific public philosophy of sustaining these communities, and development of greater capacity of communities through inter-local cooperation.

Any development model for agriculturally-based communities must begin with a philosophy that the model will work toward sustaining these communities. Such a philosophy recognizes these communities are important, are a significant portion of this region (both in terms of culture, geography and population), and are worthy of policies that enhance the long-term well-being of the people who live there.

Rural communities are not well served by the paradigm of competition dominating traditional economic development policy. This is particularly true for the agriculturally-based communities discussed in this report that often lack the critical mass of people or infrastructure to legitimately compete for industry and business.

However, these communities are strengthened by their recognition of the need to cooperate and their ability to do so. States should recognize and encourage this strength through public policy that recognizes cooperation rather than inter-community competition as the paradigm for rural development policy. A development model that has competition at its core is a "one-size" model that cannot fit all communities.

The competition model is essentially one of seeking to convince a business or industry that one community is better than another. Agriculturally-based communities, despite their advantages and amenities, have a difficult time playing that game. Instead, rural development should be focused on a model of cooperation that recognizes there are numerous development strategies and only cooperation and collaboration can determine which are best for individual communities.

One consistent issue that small, rural communities face is their capacity for economic development, or how to "ready" themselves for development. Community capacity building has been criticized as an irrelevant "feel good" project that does not provide real economic development. However, economic development in small, rural communities is likely to come from two sources — internal development or development resulting from the allocation of state or federal funds. On-going professional planning and development assistance to communities to enhance their development capacity from both sources is absolutely necessary for the long-term economic survival of rural communities.[11]

The ability of rural communities to improve development capacity can also be made through enhanced inter-local cooperation. Several states in the region have adopted a cooperative or clustering model of economic development for rural communities through regional or district economic development organizations. Such a model increases the cooperation among communities, strengthens the professionalism of development efforts, and provides resources and opportunities rural communities might otherwise not have.

A regional model of development has the potential, however, to make the interests of rural communities subservient to larger communities in the region or district. Therefore, we recommend policies or vehicles that allow rural communities to "cluster" together for development and planning activities that advocate and serve only the interests of rural communities. State initiatives and funding of federal initiatives included in the 2002 Farm Bill such as the Northern Great Plains Regional Authority and the Rural Strategic Investment Program will foster a regional model of development.

On the federal level, the New Homestead Act of 2003 provides a comprehensive policy response for those communities facing significant depopulation. The New Homestead Act recognizes the socio-economic challenges facing the agriculturally-based communities of the Great Plains, and creatively links the entrepreneurial character of the region with policy initiatives that would provide greater investment into those communities and their economies. Most importantly, the New Homestead Act recognizes the worth of these communities and the need for a substantial federal response.[12]

- **Increased support, particularly by states, of "New Generation Agriculture**," strategies and activities seeking to re-establish the link between farmers and ranchers and consumers by providing food and fiber more directly to consumers through cooperatives, community-based value-added activities and direct marketing.

Agriculture has developed in a way that damages the rural communities that grew to support it. The result of farm size expansion has been increased product output but fewer people on the land. The future of rural communities depends much more on the number of people on the land than on the quantity of commodities those remaining produce.

The economic viability of these communities depends not only on the number of people on the land, but also on the amount of money they can derive from farming or ranching.

[11] To mitigate this need, state and federal policymakers should seriously consider reviewing and then changing programs that require small communities – without professional grant writers and development directors – to compete for funds while larger communities – with professional grant writing and development agencies – receive automatic allocations. The Community Development Block Grant (CDBG) program is one such example.

[12] The *New Homestead Act of 2003* was introduced in the U.S. Senate as S. 602 by Senators Dorgan (ND), Hagel (NE), Brownback (KS), Coleman (MN), Daschle (SD), Durbin (IL), Johnson (SD), Miller (GA), Burns (MT), Conrad (ND), Dayton (MN), Landrieu (LA), and Rockefeller (WV). A companion bill was introduced as H.R. 2194 in the U.S. House of Representatives by Reps. Pomeroy (ND) and Osborne (NE).

Implementing public policy that keeps people on farms and ranches producing poverty-level earnings does not contribute a great deal to the well-being of society and agriculturally-based communities. The goal of any agricultural reform policy must be to expand the rural middle class. Yet as the data herein show, the rural middle class in this region is constricted, and a prime culprit is agricultural policy.

As traditional agriculture becomes larger and more industrial, the rationale for many small, rural communities is undermined. But, as we have seen in our work and the work of many others, agriculture rooted in family-scale farming and ranching still exists. That may be an old concept, but the strategies and activities are new, giving rise to the term "New Generation Agriculture." At its core, new generation agriculture seeks to re-establish the link between farmers and ranchers and consumers by providing food and fiber more directly to consumers through cooperatives, community-based value-added activities and direct marketing. Adequate investment (both private and public) and a systematic strategy to support this type of agriculture are needed in all states of the region.

- **Cultivation of a new generation of farmers and ranchers through federal and state initiatives** that provide incentives to people to enter farming and ranching and provide beginning farmers and ranchers access to agricultural assets.

A new generation of family farmers and ranchers is crucial to the long-term survival of rural agricultural communities. According to the United States Department of Agriculture *Census of Agriculture 1997*, nearly half of American farmers are 55 years of age or older. The fastest growing age group between the 1992 Census of Agriculture and the 1997 Census of Agriculture was farmers over the age of 70.

Farmers in this age group increased by nearly 9 percent, while farmers and ranchers under the age of 25 (who make up only 1 percent of American farmers and ranchers) declined by 25 percent from 1992 to 1997.[13] Young families are abandoning rural agricultural communities in droves, and many potential residents are not even considering the option of farming or ranching.

Absent a new generation of farmers and ranchers, the vast agricultural resources of these communities will continue to concentrate into ever expanding operations, creating a new landed elite and a permanent loss of farming and ranching opportunities. As these opportunities dim, so do the lights in many rural agricultural communities.

Simply, one way to encourage greater entry into farming and ranching is to provide greater opportunities for profitability. Young people are not likely to enter a career with bleak or inconsistent financial prospects and are likely to be discouraged from doing so. Other recommendations meant to enhance the incomes of farmers and ranchers may provide a greater incentive for some to enter farming and ranching.

There is, however, another significant barrier to entry into agriculture. The cost of assets – land and machinery – is prohibitive without familial support or exceedingly deep pockets.

[13] Farmers and ranchers aged 25-34 declined by 28 percent from 1992 to 1997, the largest decrease of any age group.

Traditional government credit programs – both USDA young and beginning farmer programs and state "Aggie Bond" programs – generally provide only the opportunity to assume a large debt load and do little to provide an incentive to enter farming and ranching. We believe states and the federal government can provide access to agricultural assets and an incentive to enter farming and ranching through creative uses of their tax codes and public financing vehicles.[14]

- **Increased support, particularly by states, of programs that provide lending capital and technical assistance to microenterprises and small businesses**.

Small businesses and self-employment play a crucial role in the economies of agriculturally-based communities. This is where job growth is in agricultural communities. Despite declines in population, agricultural counties witnessed job growth in nonfarm proprietorships equal to or exceeding metropolitan counties, both regionally and in every state.

Some of this job growth in nonfarm self-employment is, in a sense, forced employment. Many of these enterprises likely began as off-farm enterprises to supplement declining farm or ranch incomes, or as a way to remain in a rural community when other economic opportunities became nonviable. Whatever the reason, these data show a remarkable entrepreneurial character among the people of agricultural communities. This strength and characteristic should be nurtured and encouraged through public policy.

Recent literature on microenterprise as a development strategy also highlights its potential. Lisa Servon of Rutgers University found that, contrary to traditional economic theory that views labor as a mobile input to production, entrepreneurs are highly "attached to the places in which they live, regardless of how poor the economy is."[15] She concludes that though these businesses are small and may take time to develop, they "should be perceived as resources and nurtured."[16]

As part of a comprehensive rural development strategy, state and local governments should recognize the crucial role entrepreneurial activity plays in rural communities. Rather than attempting to place rural communities into an urban, industrial model of economic development, more resources should be made available to nurture locally-developed small businesses.[17]

Policymakers should take immediate steps to bring economic development policy into greater balance. While billions of dollars are devoted to large-scale development that is

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[14] Nebraska's Beginning Farmer Tax Credit, state income tax exemptions in North Dakota for leases to beginning farmers and ranchers, and a property tax "freeze" in South Dakota for beginning farmers and ranchers are examples.

[15] Servon, Lisa, *Microenterprise Development as an Economic Adjustment Strategy,* Center for Urban Policy Research, Rutgers University, 1999, page 50.

[16] Id.

[17] In addition to local and state initiatives, the federal government can also play a role. The New Homestead Act of 2003, for example, proposes the creation of tax-exempt individual "homestead accounts" that can be used for, among other things, business capitalization costs. The New Homestead Act also provides a tax credit for microenterprise and small business investment and development.

limited to certain areas of the region, those programs that help develop small businesses and entrepreneurial activities are left with crumbs. Such a policy imbalance only perpetuates the economic imbalance between areas of the region.

- **Integration of conservation programs and community development** to provide an opportunity for communities and land owners to realize economic advantage from a resource advantage.

One of the blessings of the region is its abundant and fruitful natural resource base. For that reason, the economies of rural communities have been, and will continue to be agricultural and thus, resource based in large measure. Conservation programs will continue to play a major role in these communities; conservation payments are likely to account for a growing share of federal dollars flowing into rural, agricultural communities.

While the major role of these programs will naturally be the conservation of natural resources for future beneficial use, conservation programs can allow agriculture to achieve multiple policy objectives for the benefit of rural communities such as enhanced farm and ranch profitability, conservation of natural resources, and making rural communities more attractive place to live. Federal programs in the 2002 Farm Bill that promote such development should be fully implemented and funded, and communities and rural residents should take full advantage of them.

- **Providing opportunities for private investment** in agriculturally-based communities.

For a variety of reasons linked to the findings of this study — depopulation, poverty, low incomes — private investment in rural communities is often lacking. This lack of private investment can be most clearly seen in the data concerning the sluggish growth of wage and salary employment in the agriculturally-based counties of most states in the region.

Despite federal and state efforts to provide capital and incentives through initiatives such as the USDA Rural Business-Cooperative Service and state and federal enterprise zones, the rural economic slide continues. As well intentioned and well developed as these initiatives may be, they seem to have had little aggregate positive affect on incomes and job growth.

What has had an impact in these states is a policy strategy of providing incentives for job creation and business development. But as discussed above, these incentives are particularly ill designed for rural communities. Business development and job creation incentives based on an industrial model are unlikely to work well (or at all) in agriculturally-based communities.

As such, we recommend that states adopt business development and job creation incentives specifically targeted to rural areas at the scale that would benefit rural communities. These strategies must provide incentives for the development and creation of jobs and businesses that are practical and sustainable in rural communities, particularly small businesses, microenterprises and self-employment.

Two items need to be clear. First, jobs created pursuant to these incentives cannot be low-income jobs that are created to primarily benefit an investor. These incentive programs must have a focus of providing economic opportunity for rural residents, not a public subsidy for investors to provide low-wage jobs.

Second, these incentives should be structured to provide sustainable economic opportunity. Of course, no job or business can be guaranteed. However, the economic distress of rural people should not be the subject of investors and businesses looking for a tax break. Rural people have been the fodder for extraction economies for too long. Any incentives for private investment should encourage locally owned or community-based enterprises.

- **Build the human and organizational resources** of communities.

As important as any public policy initiative is what communities can do to build their human and organization resources. Before a community can develop its economy (whether through internal building or external attraction), it is crucial that it set out to develop its people. In explaining how Tupelo and Lee County, Mississippi went from one of the poorest areas in the nation to the second highest county income in Mississippi with an income level at the national average, Vaughn Grisham and Rob Gurwitt state that "Economic development … came about because community development — the ability of citizens to identify and work together on issues of common concern, their dedication to educating children and adults, their constant search for ways of providing each other with the resources and skills they need to help themselves both as individuals and as communities — made it possible."[18]

The "Tupelo Model" outlined by Grisham and Gurwitt is a pyramid with economic development at the top and human development at the base, and leadership development, organizational development and community development as the incremental steps in between. This model appears to go hand-in glove with a community economy based on locally-based small business development.

Communities based on "social capital" building models and locally-based economic development appear from the research to have better outcomes related to civic and economic welfare. A "civic climate anchored in micro-enterprise entrepreneurship, a proliferation of public meeting establishments, and civic denominations is associated with civic welfare."[19] Further, communities with such a civic climate and an economy based on locally-based enterprises and entrepreneurship have less economic inequality and greater levels of economic well-being.[20]

While such findings argue for an economic development strategy based on the development of locally-based small business, merchant and entrepreneurial enterprises, they also argue for the necessity of a civic culture that is based on the development of <u>all</u> local human resources. Only the people in local communities can accomplish that. While government agencies and

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[18] *Hand in Hand: Community and Economic Development in Tupelo,* Vaughn Grisham and Rob Gurwitt (1999, Aspen Institute), p. 29.
[19] *Civic Community in Small-Town America: How Civic Welfare is Influenced by Local Capitalism and Civic Engagement*, Charles M. Tolbert, Michael D. Irwin, Thomas A. Lyson, and Alfred R. Nucci, Center for Economic Studies, U.S. Bureau of the Census, December 2001, p. 20.
[20] <u>Id.</u> at pp. 20-21.

other external influences can assist, ultimately the development of a community, its people, their leadership and their organizations must come from within.

The best that public policy can do is to recognize the need for a model that begins with development of social capital, leading to community development and eventually to economic development. The worst public policy can do is to impose an economic development model on communities. Working with communities, government can be a facilitator of the civic and social necessities of economic development. Being blind to these necessities, government and public policy will be a roadblock.

IOWA

Like the region as a whole, rural farm counties in Iowa have higher poverty rates, lower incomes and lower job growth rates than the rest of the state.

Poverty

Poverty rates in rural farm counties of Iowa are 11 percent higher than in metropolitan counties. Poverty rates in the other three classes of counties are comparable, with rates in urban farm counties lower than in nonfarm and metropolitan counties.

Poverty rates in agriculturally-based counties are lower than regional averages. Both rural farm and urban farm counties in Iowa have lower poverty rates than the regional averages.

Income

Annual average per capita incomes in agriculturally-based counties of Iowa are lower than in nonfarm and metropolitan counties. Annual average per capita incomes in rural farm counties of Iowa are $6,000 less than in metropolitan counties. Rural farm county annual average per capita incomes are about 77 percent of such incomes in metropolitan counties. Incomes in urban farm counties are about 82 percent of metropolitan counties.

This represents a widening income gap between agriculturally-based counties and metropolitan. During the period studied in *Trampled Dreams*, rural farm counties in Iowa had per capita incomes 82 percent of metropolitan counties, and urban farm counties had per capita incomes 87 percent of metropolitan counties.

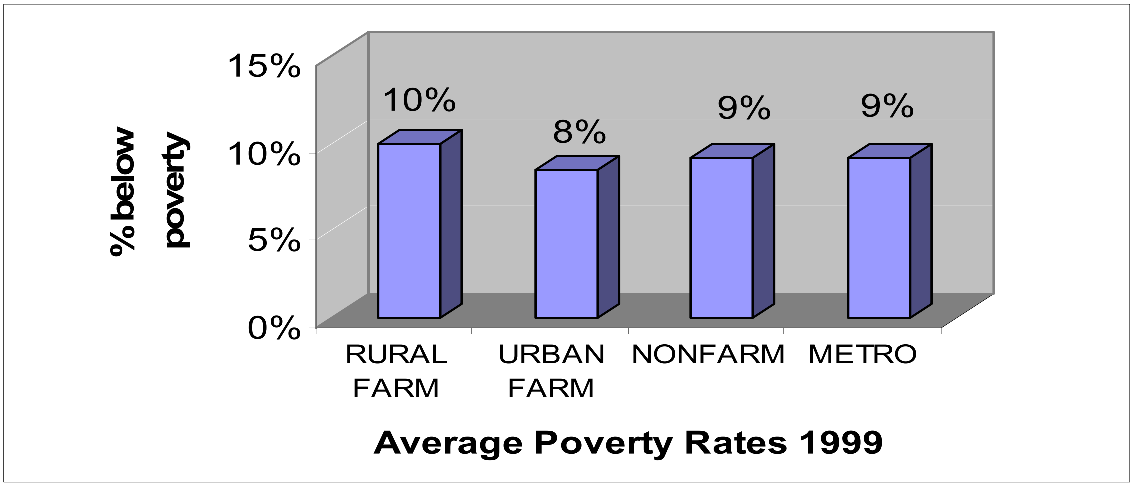
Job Growth

Between 1990 and 2000, rural farm counties in Iowa had one-sixth the job growth of metropolitan counties. While Iowa's loss of farm proprietors was similar to the region as a whole, rural farm counties in the state showed significant job growth in nonfarm self-employment. Over 70 percent of job growth was in this sector.

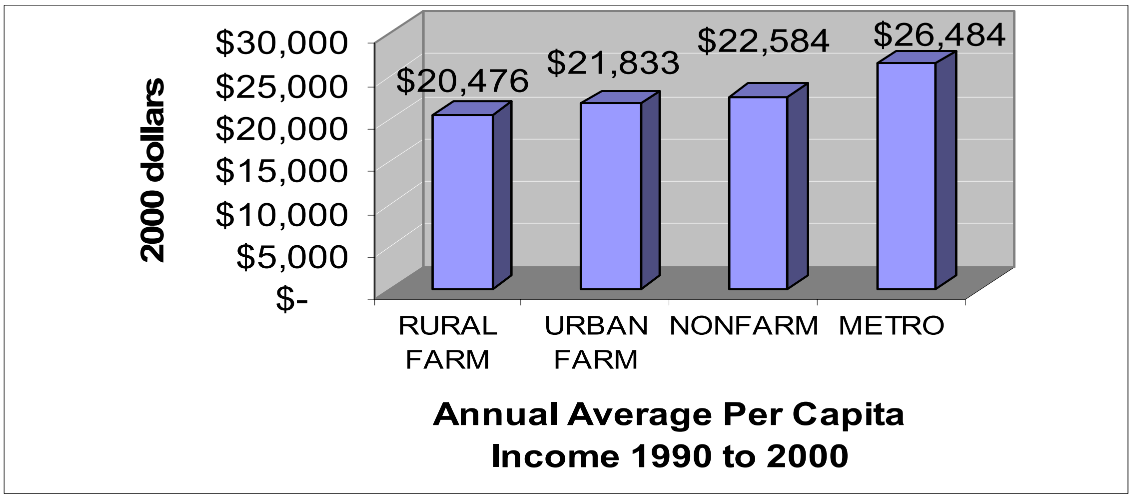
While Iowa's rural farm counties fared slightly worse than rural farm counties in the region in terms of total job growth (four new jobs per 100 in Iowa compared to five in the region), Iowa's rural farm counties still had the lowest job growth in the region, primarily due to sluggish wage and salary employment growth. Iowa's urban farm counties had higher job growth rates than the region's urban farm counties. Over 20 percent of job growth in urban farm counties is attributable to nonfarm self-employment.

Despite vast differences in job growth rates among the types of counties, growth in nonfarm self-employment was nearly identical in all types of counties, with the highest rate in rural farm counties. This suggests significant entrepreneurial energy and character in agriculturally-based counties.

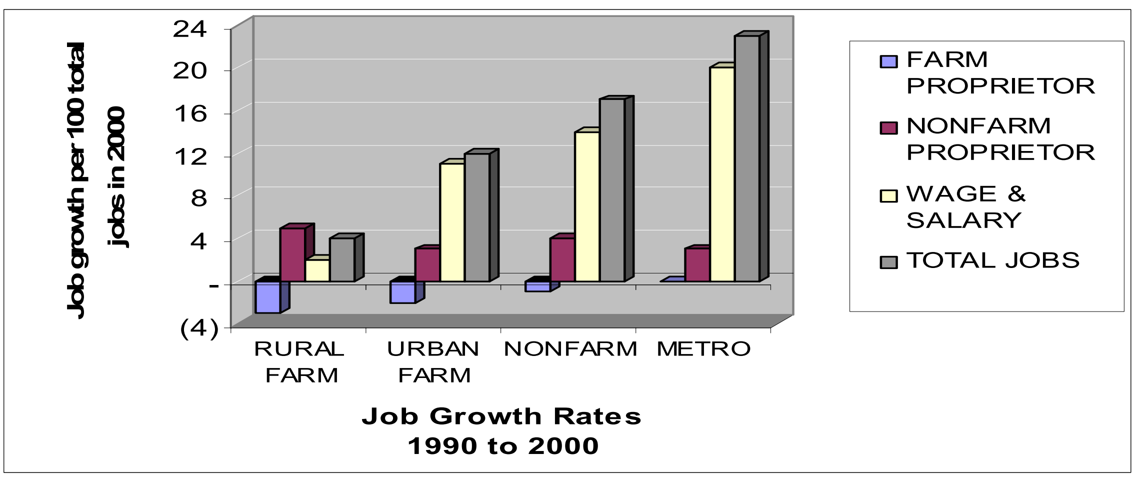
IOWA



15%
10%
5%
0%
% below poverty
10%
8%
9%
9%
RURAL FARM
URBAN FARM
NONFARM
METRO
Average Poverty Rates 1999



$30,000
$25,000
$20,000
$15,000
$10,000
$5,000
$-
2000 dollars
$20,476
$21,833
$22,584
$26,484
RURAL FARM
URBAN FARM
NONFARM
METRO
Annual Average Per Capita Income 1990 to 2000



24
20
16
12
8
4
-
(4)
Job growth per 100 total jobs in 2000
RURAL FARM
URBAN FARM
NONFARM
METRO
FARM PROPRIETOR
NONFARM PROPRIETOR
WAGE & SALARY
TOTAL JOBS
Job Growth Rates 1990 to 2000

KANSAS

Comparisons between the agriculturally-based counties of Kansas and nonfarm and metropolitan counties of the state are, in some respects, quite different to those of the region as a whole.

Poverty

Poverty rates in agriculturally-based counties of Kansas are higher than in metropolitan counties of the state (38 percent higher in rural farm counties and 25 percent higher in urban farm counties). However, unlike the region as a whole, nonfarm counties in Kansas have the highest rates of poverty in the state.

Overall, poverty rates in Kansas are lower than the region in rural farm counties, higher in urban farm counties and nonfarm counties, and identical in metropolitan counties.

Income

Per capita incomes in Kansas' rural farm counties represent an anomaly within the region. While annual average per capita incomes in Kansas' rural farm counties are 88 percent of metropolitan incomes, nonfarm counties in the state possess the lowest average annual incomes. The annual average per capita income in urban farm counties is nearly identical to rural farm counties.

Nonfarm counties in Kansas contain the lowest annual average per capita incomes, about 25 percent lower than metropolitan and 15 percent lower than the agriculturally-based counties. Among the states in the region, Kansas has the highest average per capita income levels for both rural farm and urban farm counties.

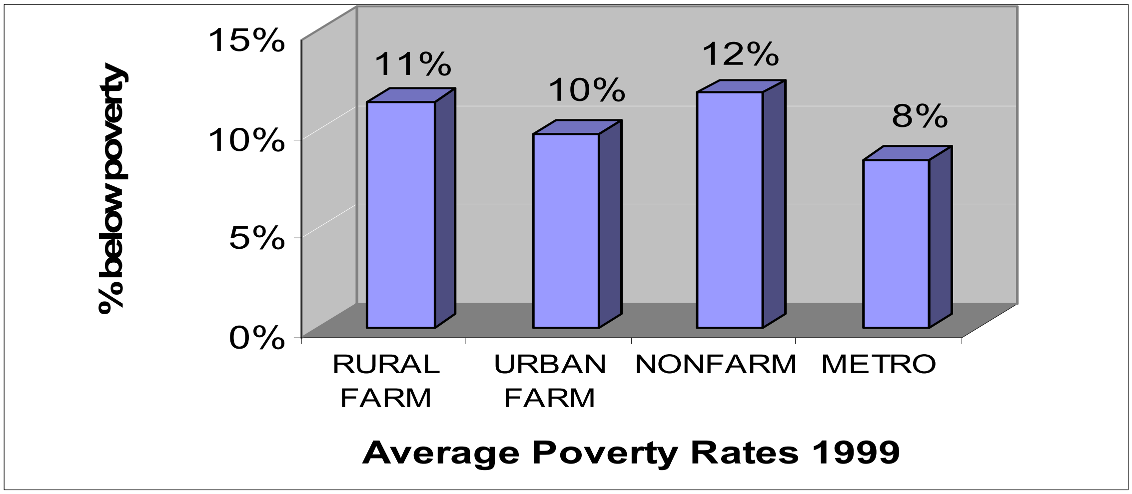
Annual average per capita income for Kansas' rural farm counties is 14 percent higher than for rural farm counties in the region. Annual average per capita income in Kansas' urban farm counties is about 9 percent higher than in urban farm counties in the region. Income levels for nonfarm and metropolitan counties are comparable (though slightly lower) to those in the region.

Job Growth

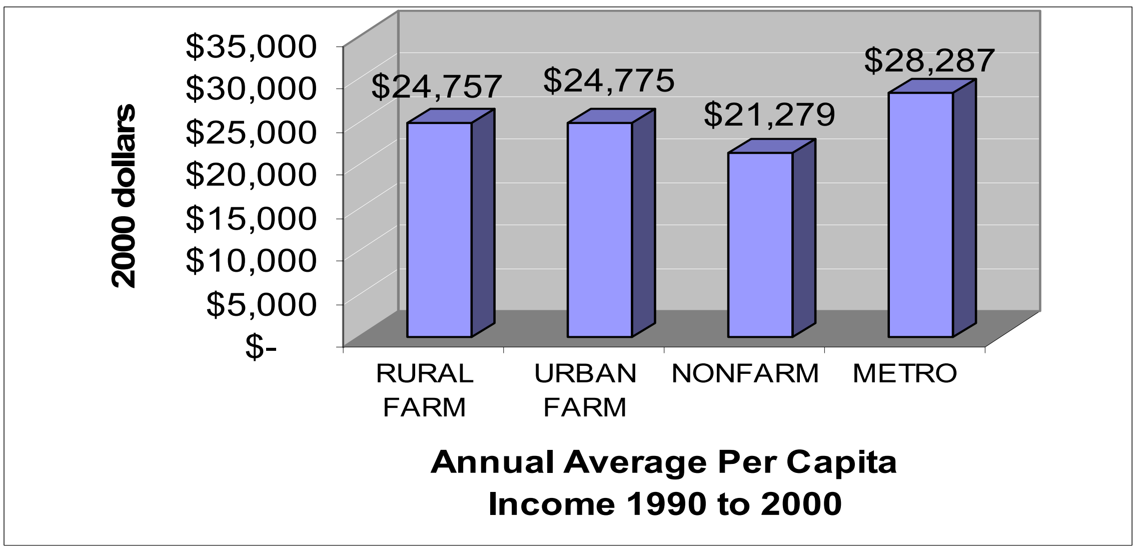
Rural farm counties in the state had nearly identical growth rates to rural farm counties in the region, yet had only 20 percent of job growth of the state's metropolitan counties.

Job growth in Kansas' urban farm counties from 1990 to 2000 was over twice the rates of urban farm counties in the region as a whole; Kansas had the highest urban farm county job growth rate in the region. The vast majority of job growth in Kansas' urban farm counties was in wage and salary employment. Kansas' urban farm counties had the highest wage and salary employment growth rate in the region.

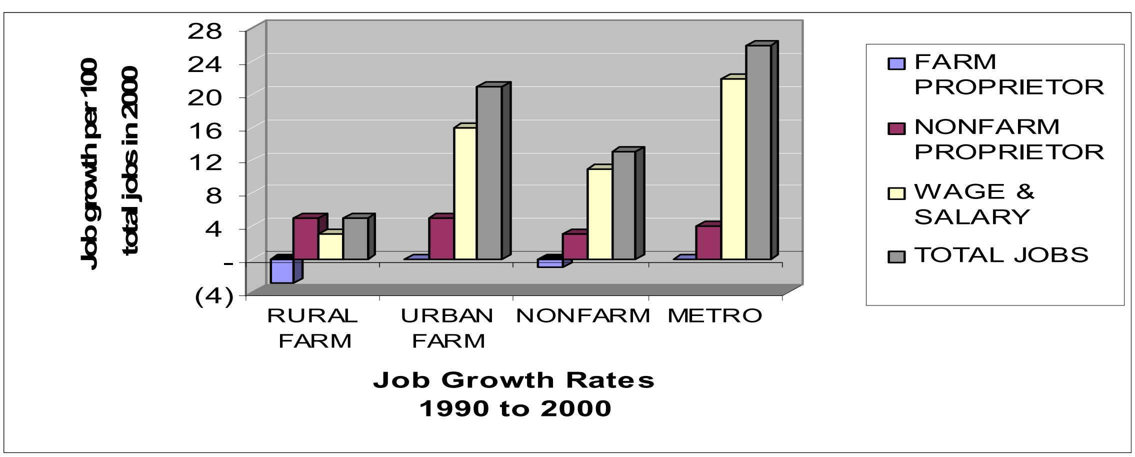
KANSAS



% below poverty
15%
10%
5%
0%
11%
10%
12%
8%
RURAL FARM
URBAN FARM
NONFARM
METRO
Average Poverty Rates 1999



2000 dollars
$35,000
$30,000
$25,000
$20,000
$15,000
$10,000
$5,000
$-
$24,757
$24,775
$21,279
$28,287
RURAL FARM
URBAN FARM
NONFARM
METRO
Annual Average Per Capita Income 1990 to 2000



Job growth per 100 total jobs in 2000
28
24
20
16
12
8
4
-
(4)
RURAL FARM
URBAN FARM
NONFARM
METRO
FARM PROPRIETOR
NONFARM PROPRIETOR
WAGE & SALARY
TOTAL JOBS
Job Growth Rates 1990 to 2000

MINNESOTA

Minnesota is a symbol for the two-tiered economy now present in the region. From 1990 to 2000, Minnesota metropolitan counties could boast of the highest per capita income level among metropolitan counties in the region. However, agriculturally-based counties of the state had significantly lower incomes, higher poverty rates and lower job growth rates.

Poverty

Poverty rates in rural farm counties of Minnesota are 30 percent higher than in metropolitan counties.

Poverty rates in agriculturally-based counties of Minnesota are lower than in the region as a whole, with both rural farm and urban farm counties in Minnesota having lower poverty rates than regional averages for the same county type.

Income

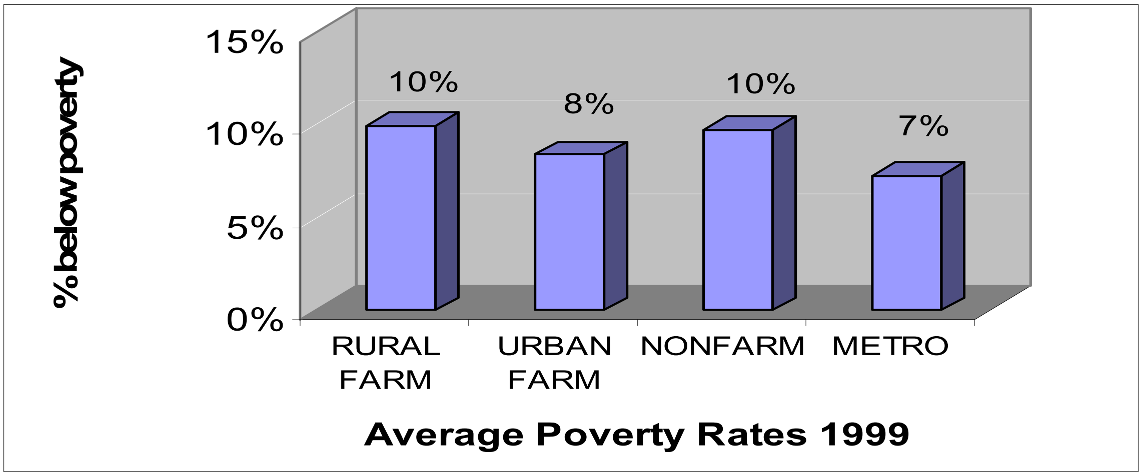
Annual average per capita incomes in rural farm counties of Minnesota are about $10,500 less than in metropolitan counties, the largest gap in the region. Rural farm county annual average per capita incomes are about 66 percent of such incomes in metropolitan counties, also the widest disparity in the region. Incomes in urban farm counties are slightly higher than nonfarm counties and 70 percent of metropolitan counties.

Job Growth

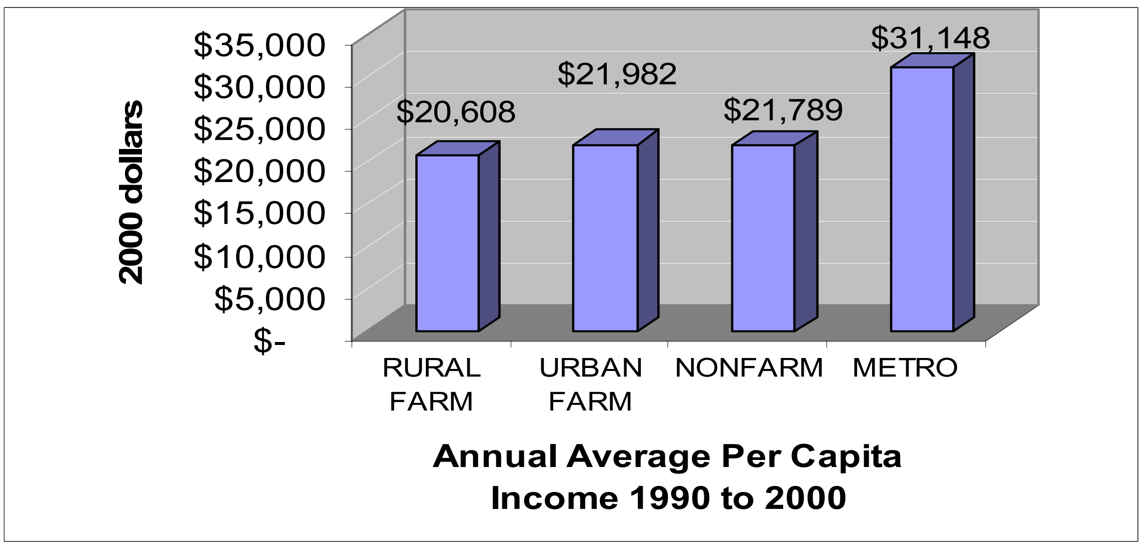
Between 1990 and 2000, rural farm counties in Minnesota had only one-fifth the job growth of metropolitan counties. Minnesota's rural farm counties experienced job growth nearly identical to the region's rural farm counties and those in other states. Nonfarm self-employment accounted for about 60 percent of the job growth in rural farm counties in Minnesota.

Minnesota's urban farm counties had the lowest job growth rate of urban farm counties in the region (except for the one urban farm county in North Dakota). This distinction is due to the highest loss of farm and ranch proprietors in the region among urban farm counties and a nearly complete lack of job growth in nonfarm self-employment. A relatively high level of job growth in wage and salary employment in the state's urban farm counties accounted for all the job growth during the period.

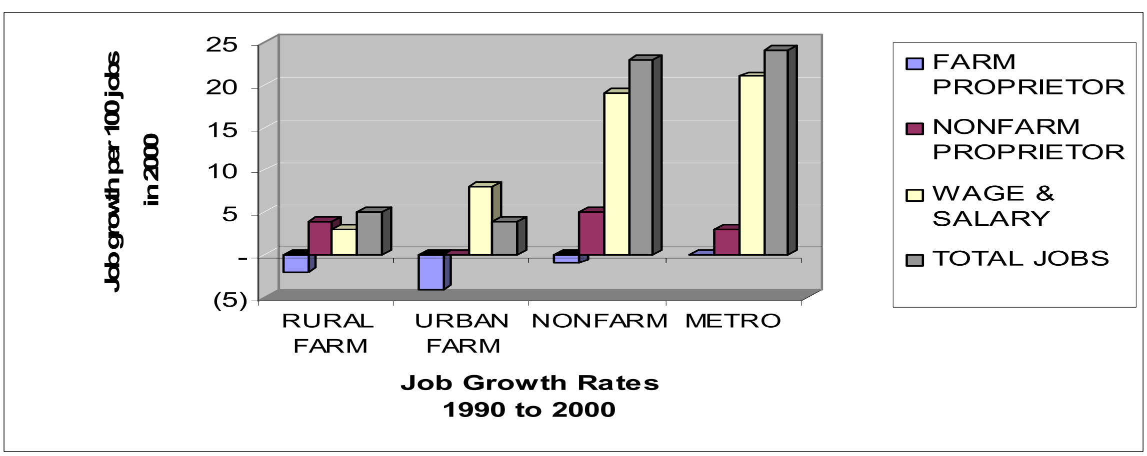
MINNESOTA



% below poverty
15%
10%
5%
0%
10%
8%
10%
7%
RURAL FARM
URBAN FARM
NONFARM
METRO
Average Poverty Rates 1999



2000 dollars
$35,000
$30,000
$25,000
$20,000
$15,000
$10,000
$5,000
$-
$20,608
$21,982
$21,789
$31,148
RURAL FARM
URBAN FARM
NONFARM
METRO
Annual Average Per Capita Income 1990 to 2000



Job growth per 100 jobs in 2000
25
20
15
10
5
-
(5)
RURAL FARM
URBAN FARM
NONFARM
METRO
FARM PROPRIETOR
NONFARM PROPRIETOR
WAGE & SALARY
TOTAL JOBS
Job Growth Rates 1990 to 2000

NEBRASKA

<u>Poverty</u>

Poverty rates in rural farm counties of Nebraska are 33 percent higher than in metropolitan counties.

Overall, poverty rates in Nebraska are comparable to the region as a whole.

<u>Income</u>

Annual average per capita incomes in rural farm counties of Nebraska are $6,700 less than in metropolitan counties. Rural farm county annual average per capita incomes are about 76 percent of such incomes in metropolitan counties.

This represents a widening gap between rural farm counties and metropolitan counties. During the period examined by *Trampled Dreams*, rural farm county per capita incomes were 85 percent of metropolitan counties.

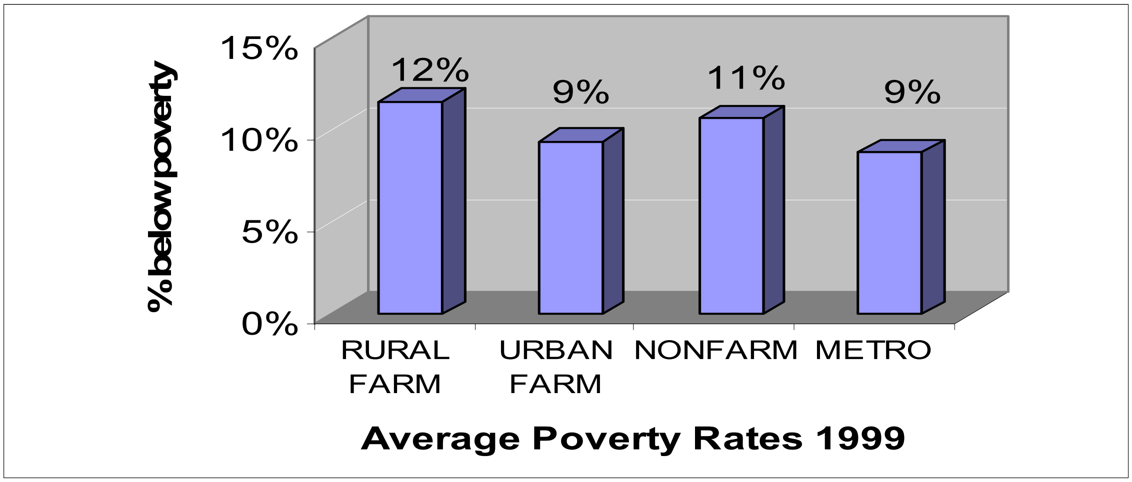
<u>Job Growth</u>

The job growth rate in Nebraska for 1990 to 2000 was the region's lowest for rural farm counties (tied with Iowa). Much of the sluggish job growth can be attributed to the limited growth in wage and salary jobs, also the region's lowest. Non-farm self-employment represented 67 percent of job growth in rural farm counties of Nebraska.

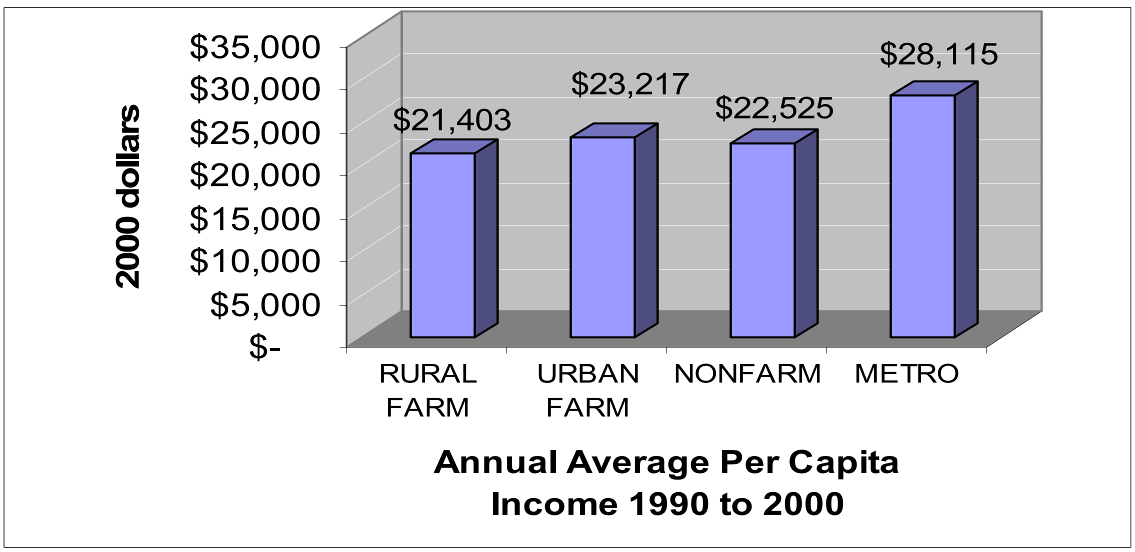
Urban farm counties of Nebraska also showed strength in nonfarm self-employment, with 38 percent of total job growth coming from nonfarm self-employment. Nonfarm and metropolitan counties relied much more on wage and salary growth.

Overall, job growth between 1990 and 2000 was quite sluggish in Nebraska's agriculturally-based communities. Rural farm counties only experienced one-fifth the total job growth rate of metropolitan counties. Urban farm counties had about 40 percent the rate of metropolitan counties.

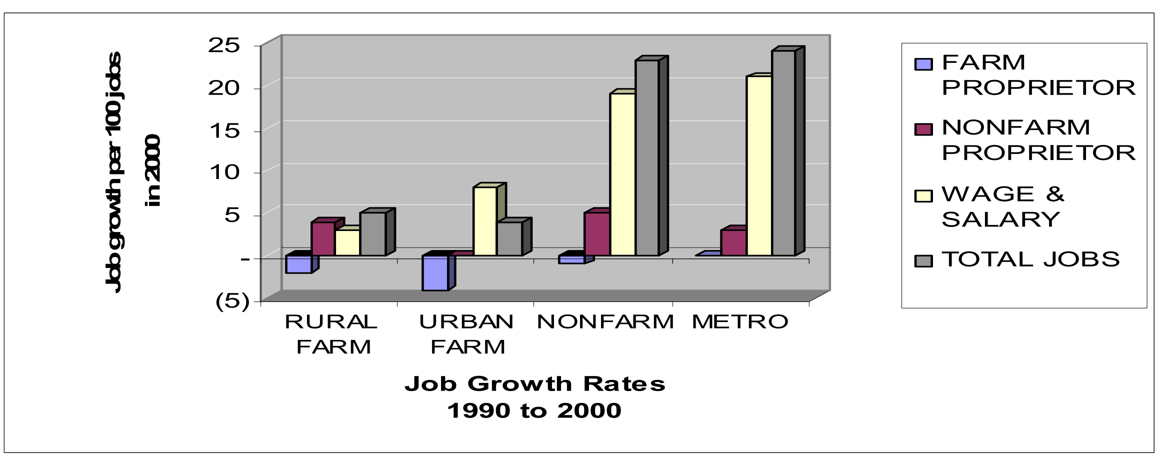
NEBRASKA



15%
10%
5%
0%
% below poverty
12%
9%
11%
9%
RURAL FARM
URBAN FARM
NONFARM
METRO
Average Poverty Rates 1999



$35,000
$30,000
$25,000
$20,000
$15,000
$10,000
$5,000
$-
2000 dollars
$21,403
$23,217
$22,525
$28,115
RURAL FARM
URBAN FARM
NONFARM
METRO
Annual Average Per Capita Income 1990 to 2000



25
20
15
10
5
-
(5)
Job growth per 100 jobs in 2000
RURAL FARM
URBAN FARM
NONFARM
METRO
FARM PROPRIETOR
NONFARM PROPRIETOR
WAGE & SALARY
TOTAL JOBS
Job Growth Rates 1990 to 2000

NORTH DAKOTA

Only one county in North Dakota classified as an urban farm county. Because of that small sample, no commentary of the status of urban farm counties and no comparisons between North Dakota urban farm counties and the urban farm counties of the region will be made.

Poverty

Poverty rates in rural farm counties of North Dakota are 30 percent higher than in metropolitan counties.

Poverty rates in rural farm counties of North Dakota are comparable to the region as a whole, with poverty rates in North Dakota's nonfarm and metropolitan counties higher than in the region as a whole.

Income

Annual average per capita incomes in rural farm counties of North Dakota are lower than in nonfarm and metropolitan counties. Annual average per capita incomes in rural farm counties of North Dakota are about $4,100 less than in metropolitan counties and the lowest income level for rural farm counties of the states in the region. Rural farm county annual average per capita incomes are about 83 percent of such incomes in metropolitan counties.

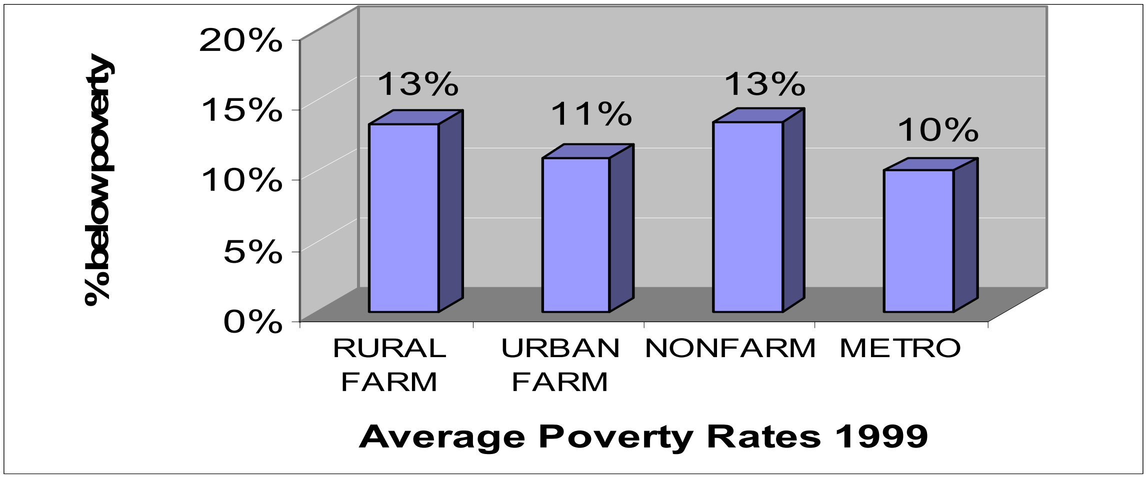
Job Growth

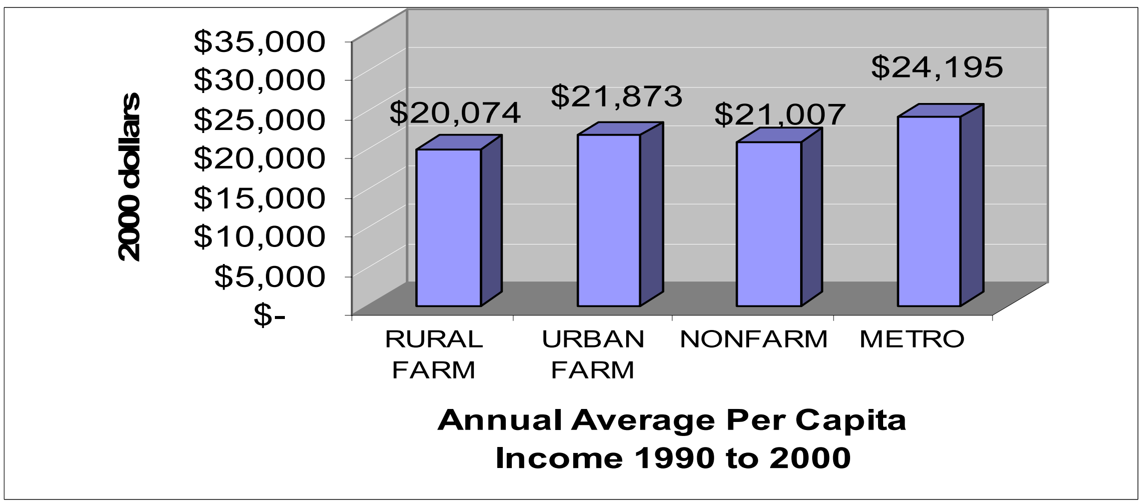
Between 1990 and 2000, rural farm counties in North Dakota had only about one-sixth the job growth of metropolitan counties. North Dakota's rural farm counties experienced comparable total job growth to the region's average for rural farm counties and to other states.

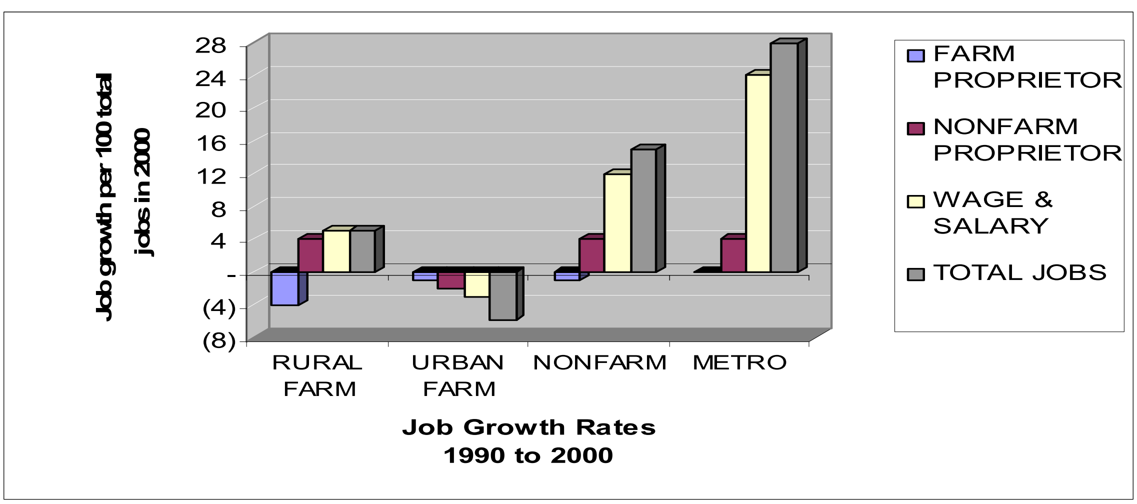
Rural farm counties in North Dakota had the highest rate of farm and ranch proprietor loss of rural farm counties in any state. Again, however, nonfarm self-employment contributed significantly to job creation in rural North Dakota. In rural farm counties, 44 percent of total job growth was attributable to nonfarm self-employment.

Job growth rates for non-farm proprietorships in rural farm counties are identical to nonfarm and metropolitan counties of the state despite significant population decline in rural North Dakota. Again, this demonstrates the entrepreneurial character of rural communities.

NORTH DAKOTA







SOUTH DAKOTA

In terms of poverty rates, agriculturally-based counties of South Dakota are the poorest of the region. However, South Dakota has also witnessed higher job growth rates than the region as a whole in nearly all county types, including rural farm counties.

Poverty

Poverty rates in rural farm counties of South Dakota are 100 percent higher than in metropolitan counties. While poverty rates in urban farm counties are lower than in rural farm counties, poverty rates in urban farm counties are still 56 percent higher than in metropolitan counties. South Dakota has the largest gap in poverty rates between rural farm and metropolitan counties in the region. Poverty rates in all county types of South Dakota are higher than in the region as a whole, with each type of county except metropolitan counties having the highest poverty rates among the states in the region.

Income

Annual average per capita incomes in the rural farm counties of South Dakota are $6,000 less than in metropolitan counties. Rural farm county annual average per capita incomes are about 77 percent of such incomes in metropolitan counties. Incomes in urban farm counties are slightly higher than in nonfarm counties and 87 percent of metropolitan counties.

Job Growth

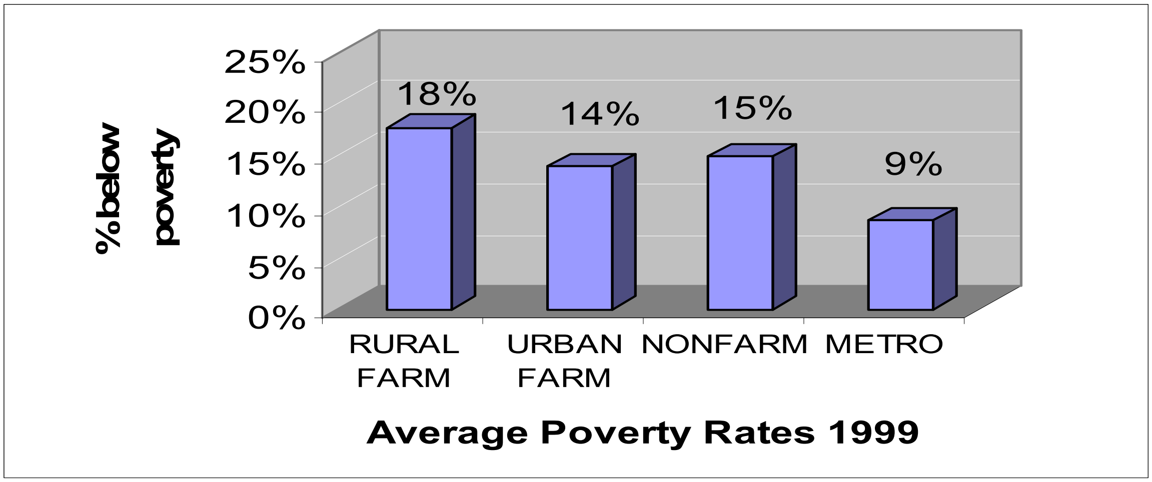
Despite high poverty rates and low incomes, rural farm counties in South Dakota experienced a higher job growth rate than the regional average for rural farm counties between 1990 and 2000 and had the highest total job growth rate in its rural farm counties of any state in the region. Rural farm counties in South Dakota also had the highest rate of wage and salary growth of any state in the region. Combining high job growth with low income and high poverty rates would suggest that South Dakota's rural farm counties are home to an expanding number of low-wage jobs.

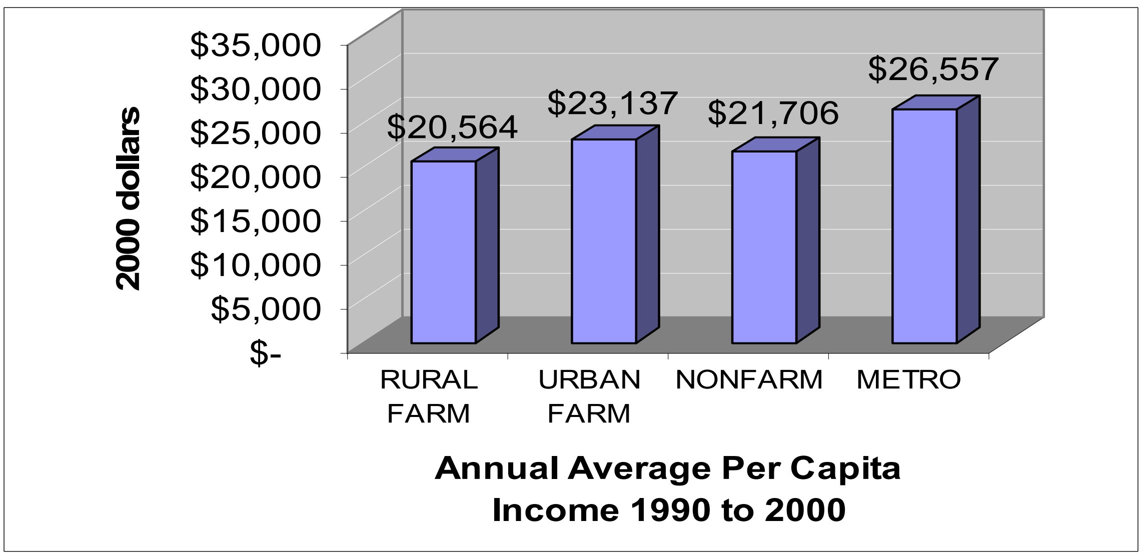
Despite this performance, rural farm counties in South Dakota experienced about one-fifth the job growth of South Dakota's metropolitan counties during the period. South Dakota's metropolitan and nonfarm county job growth was the highest in the region.

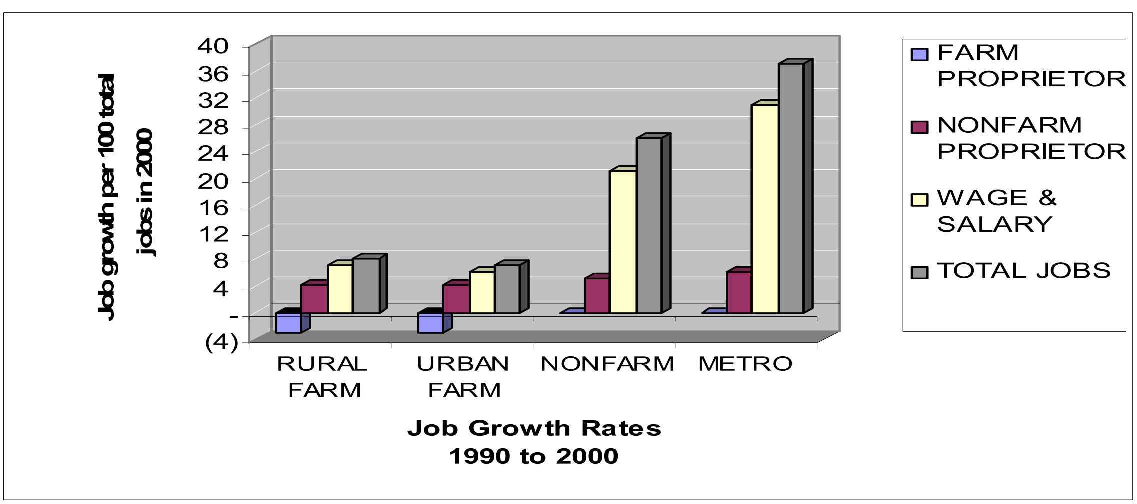
Nonfarm self-employment played a significant factor in job growth in South Dakota's agriculturally-based counties. About 40 percent of all nonfarm job growth in both county types was in nonfarm self-employment. However, jobs in rural farm counties were becoming less tied to agriculture. South Dakota's agriculturally-based counties had among the highest rate of loss of farm and ranch proprietors. Total job growth in South Dakota's urban farm counties was 30 percent less than the regional average.

Entrepreneurial activity and energy in South Dakota is higher than the regional average, with job growth rates for nonfarm proprietors equal to or higher in all types of counties than the comparable regional averages.

SOUTH DAKOTA







APPENDIX

COUNTY CLASSIFICATIONS BY STATE

Iowa

Iowa Rural Farm Counties (9)		
Audubon	Pocahontas	Taylor
Butler	Ringgold	Wayne
Calhoun	Sac	Worth

Iowa Urban Farm Counties (10)		
Chickasaw	Lyon	Osceola
Fayette	Mitchell	Palo Alto
Grundy	Monona	Sioux
Kossuth		

Iowa Nonfarm Counties (70)		
Adair	Emmet	Madison
Adams	Floyd	Mahaska
Allamakee	Franklin	Marion
Appanoose	Fremont	Marshall
Benton	Greene	Mills
Boone	Guthrie	Monroe
Bremer	Hamilton	Montgomery
Buchanan	Hancock	Muscatine
Buena Vista	Hardin	O'Brien
Carroll	Harrison	Page
Cass	Henry	Plymouth
Cedar	Howard	Poweshiek
Cerro Gordo	Humboldt	Shelby
Cherokee	Ida	Story
Clarke	Iowa	Tama
Clay	Jackson	Union
Clayton	Jasper	Van Buren
Clinton	Jefferson	Wapello
Crawford	Jones	Washington
Davis	Keokuk	Webster
Decatur	Lee	Winnebago
Delaware	Louisa	Winneshiek
Des Moines	Lucas	Wright
Dickinson		

Iowa Metro Counties (10)		
Black Hawk	Linn	Scott
Dallas	Polk	Warren
Dubuque	Pottawattamie	Woodbury
Johnson		

Kansas

Kansas Rural Farm Counties (24)		
Chase	Greeley	Rawlins
Cheyenne	Hamilton	Sheridan
Clark	Haskell	Smith
Decatur	Hodgeman	Stafford
Edwards	Jewell	Stanton
Gove	Kearny	Wallace
Graham	Lane	Washington
Gray	Meade	Wichita

Kansas Urban Farm Counties (4)		
Scott	Stevens	Thomas
Sherman		

Kansas Nonfarm Counties (68)		
Allen	Geary	Norton
Anderson	Grant	Osage
Atchison	Greenwood	Osborne
Barber	Harper	Ottawa
Barton	Jackson	Pawnee
Bourbon	Jefferson	Phillips
Brown	Kingman	Pottawatomie
Chautauqua	Kiowa	Pratt
Cherokee	Labette	Reno
Clay	Lincoln	Republic
Cloud	Linn	Rice
Coffey	Logan	Riley
Comanche	Lyon	Rooks
Cowley	Marion	Rush
Crawford	Marshall	Russell
Dickinson	McPherson	Saline
Doniphan	Mitchell	Seward
Elk	Montgomery	Sumner
Ellis	Morris	Trego
Ellsworth	Morton	Wabaunsee
Finney	Nemaha	Wilson
Ford	Neosho	Woodson
Franklin	Ness	

Kansas Metro Counties (9)		
Butler	Johnson	Sedgwick
Douglas	Leavenworth	Shawnee
Harvey	Miami	Wyandotte

Minnesota

Minnesota Rural Counties (6)		
Kittson	Lincoln	Norman
Lac qui Parle	Marshall	Traverse

Minnesota Urban Farm Counties (4)		
Murray	Rock	Wilkin
Renville		

Minnesota Nonfarm Counties (59)		
Aitkin	Hubbard	Pennington
Becker	Itasca	Pine
Beltrami	Jackson	Pipestone
Big Stone	Kanabec	Polk
Blue Earth	Kandiyohi	Red Lake
Brown	Koochiching	Redwood
Carlton	Lake	Rice
Cass	Lake of the Woods	Roseau
Chippewa	Le Sueur	Sibley
Clearwater	Lyon	Steele
Cook	Mahnomen	Stevens
Cottonwood	Martin	Swift
Crow Wing	McLeod	Todd
Dodge	Meeker	Wabasha
Douglas	Mille Lacs	Wadena
Faribault	Morrison	Waseca
Fillmore	Mower	Wantonwan
Freeborn	Nicollet	Winona
Goodhue	Nobles	Yellow Medicine
Grant	Otter Tail	

Minnesota Metro Counties (18)		
Anoka	Hennepin	St. Louis
Benton	Houston	Scott
Carver	Isanti	Sherburne
Chisago	Olmsted	Stearns
Clay	Polk	Washington
Dakota	Ramsey	Wright

Nebraska

Nebraska Rural Farm Counties (51)		
Antelope	Furnas	Morrill
Arthur	Garden	Nance
Banner	Garfield	Nuckolls
Blaine	Gosper	Pawnee
Boone	Grant	Perkins
Boyd	Greeley	Pierce
Brown	Harlan	Polk
Burt	Hayes	Rock
Cedar	Hitchcock	Sheridan

Chase	Hooker	Sherman
Clay	Howard	Sioux
Deuel	Johnson	Stanton
Dixon	Keya Paha	Thayer
Dundy	Knox	Thomas
Fillmore	Logan	Valley
Franklin	Loup	Webster
Frontier	McPherson	Wheeler

Nebraska Urban Farm Counties (11)		
Butler	Hamilton	Phelps
Cherry	Holt	Richardson
Cuming	Kearney	Saunders
Custer	Merrick	

Nebraska Nonfarm Counties (25)		
Adams	Hall	Platte
Box Butte	Jefferson	Red Willow
Buffalo	Keith	Saline
Cheyenne	Kimball	Scotts Bluff
Colfax	Lincoln	Seward
Dawes	Madison	Thurston
Dawson	Nemaha	Wayne
Dodge	Otoe	York
Gage		

Nebraska Metro Counties (6)		
Cass	Douglas	Sarpy
Dakota	Lancaster	Washington

North Dakota

North Dakota Rural Farm Counties (22)		
Bottineau	Hettinger	Pembina
Cavalier	Kidder	Renville
Dickey	LaMoure	Sheridan
Divide	Logan	Slope
Dunn	McHenry	Steele
Emmons	McIntosh	Towner
Grant	Nelson	Traill
Griggs		

North Dakota Urban Farm Counties (1)		
Walsh		

North Dakota Nonfarm Counties (26)		
Adams	McKenzie	Rollette
Barnes	McLean	Sargent
Benson	Mercer	Sioux
Billings	Mountrail	Stark
Bowman	Oliver	Stutsman
Burke	Pierce	Ward

Eddy	Ramsey	Wells
Foster	Ransom	Williams
Golden Valley	Richland	
North Dakota Metro Counties (4)		
Burleigh	Grand Forks	Morton
Cass		

South Dakota

South Dakota Rural Farm Counties (37)		
Aurora	Gregory	Marshall
Bennett	Haakon	McCook
Bon Homme	Hamlin	McPherson
Buffalo	Hand	Mellette
Campbell	Hanson	Miner
Charles Mix	Harding	Moody
Clark	Hutchinson	Potter
Corson	Hyde	Roberts
Day	Jerauld	Sanborn
Deuel	Jones	Sully
Douglas	Kingsbury	Turner
Edmunds	Lyman	Ziebach
Faulk		

South Dakota Urban Farm Counties (3)		
Grant	Spink	Tripp

South Dakota Nonfarm Counties (23)		
Beadle	Davison	Perkins
Brookings	Dewey	Shannon
Brown	Fall River	Stanley
Brule	Hughes	Todd
Butte	Jackson	Union
Clay	Lake	Walworth
Codington	Lawrence	Yankton
Custer	Meade	

South Dakota Metro Counties (3)		
Lincoln	Minnehaha	Pennington

DATA SOURCES AND DEFINITIONS

Poverty Rates

The poverty rates reported here are taken from the U.S. Bureau of the Census 1999 estimates for counties. The poverty rate represents the percent of persons living in households with money income below the federal poverty threshold based on family size and composition. In order to obtain intercensal estimates for all counties, the Census Bureau models the relationship between poverty and tax and program data for a subset of counties using estimates of poverty from the Current Population Survey. It then uses the modeled relations to obtain estimates for all counties.

Household Income

Household income is based on 2000 Census data. It includes the money income from all persons 15 years old and older from the following sources: wage and salary income; net nonfarm self-employment income; net farm self-employment income; interest, dividend, or net rental or royalty income; Social Security or railroad retirement income; public assistance or welfare income; retirement or disability income, and all income reported in the "other" category on the Census long form.

Population

State and county population figures and population age distributions are based on the 2000 Census and subsequent adjustments.

BUREAU OF ECONOMIC ANALYSIS DATA

County-level measures of income and jobs are taken from data provided by the U.S. Bureau of Economic Analysis, Regional Economic Information System on a CD data set for the years 1990 to 2000. The definitions provided below are based on the documentation provided with that data set.

Personal Income

The personal income of an area is defined as the income received by, or on behalf of, all the residents of the area. It consists of the income received by persons from all sources — that is, from participation in production, from both government and business transfer payments, and from government interest (which is treated like a transfer payment).

Personal income is calculated as the sum of wage and salary disbursements, other labor income, proprietors' income with inventory valuation and capital consumption adjustments, rental income of persons with capital consumption adjustment, personal dividend income, personal interest income, and transfer payments to persons, less personal contributions for social insurance.

Per capita personal income is calculated as the personal income of the residents of an area divided by the population of the area.

Personal income is a measure of income received; therefore, estimates of state and local area personal income reflect the residence of the income recipients. The adjustment for residence is made to wages and salaries, other labor income, and personal contributions for social insurance, with minor exceptions, to place them on a place-of-residence (where-received) basis. The adjustment is necessary because these components of personal income are estimated from data that are reported by place of work (where earned).

The estimates of proprietors' income, although presented on the table as part of place-of-work earnings, are largely by place of residence; no residence adjustment is made for this component. Net earnings by place of residence is calculated by subtracting personal contributions for social insurance from earnings by place of work and then adding the adjustment for residence, which is an estimate of the net inflow of the earnings of interarea commuters. The estimates of dividends, interest, rent, and of transfer payments are prepared by place of residence only.

Farm Income Estimates

Gross farm income consists of estimates for the following items: cash receipts from marketing of crops and livestock; income from other farm-related activities, including recreational services and the sale of forest products; government payments to farmers; value of food and fuel produced and consumed on farms; gross rental value of farm dwellings; and the value of the net change in the physical volume of farm inventories of crops and livestock. Production expenses consist of: purchases of feed, livestock, seed, fertilizer and lime, and petroleum products; hired farm labor expenses (including contract labor); and all other production expenses (e.g. depreciation, interest, rent and taxes, and repair and operation of machinery).

Production expenses and gross farm income excluding inventory change are used to calculate realized net income of all farms (gross farm income, excluding inventory change, minus production expenses equals realized net income). Realized net income is then modified to reflect current production through the change-in-inventory adjustment and to exclude the income of corporate farms and salaries paid to corporate officers. These modifications yield BEA's estimate of farm proprietors' income.

The methods used to estimate farm proprietors' income at the county level rely heavily on data obtained from the Censuses of Agriculture and on selected annual county data prepared by the state offices affiliated with the National Agricultural Statistics Service (NASS), USDA. The NASS data are used, wherever possible, to interpolate and extrapolate the census-based estimates to non-census years. Administrative records data from the Agricultural Stabilization and Conservation Service of USDA are used directly to account for total government program payments to farmers.

The county estimates of farm proprietors' income are calculated in three major steps. First, estimates of "realized net income" of all farms are computed as the gross receipts of all farms less the production expenses of all farms. Second, the estimates of realized net income are modified by the inventory change adjustment so that only the income from current production is measured; this modification yields the estimates of "total net income" of all farms. Third, the income of corporate farms is estimated, and the estimate is subtracted from the estimates of total net income to yield the estimates of farm proprietor's income.

Earnings

Earnings is the sum of three components of personal income – wage and salary disbursements, other labor income and proprietors' income. Net earnings is the measure used in this report: it is calculated as earnings less personal contributions for social insurance. Net earnings by place of residence is calculated by subtracting personal contributions for social insurance from earnings by place of work and then adding the adjustment for residence, which is an estimate of the net inflow of the earnings of interarea commuters.

Estimates of earnings by place of work are provided in CA05 at the two-digit Standard Industrial Classification (SIC) level. The principal source data for the wage and salary portion of the earnings estimates are from the Bureau of Labor Statistics (BLS) ES-202 series. The ES-202 series provides monthly employment and quarterly wages for each county in four-digit SIC detail. Earnings estimates are restricted to the SIC Division ("one-digit") and two-digit levels, with suppression of these estimates in many individual cases in order to preclude the disclosure of information about individual employers.

Per capita net earnings for a county is calculated as the total net earnings of residents in the county divided by the population of the county.

Job Measures

The number of jobs is measured as the average annual number of jobs, full-time plus part-time; each job that a person holds is counted at full weight. The estimates are on a place-of-work basis. The estimates are organized both by type (wage and salary employment and self-employment) and by farm and nonfarm industry.

The source data for wage and salary employment estimates are from the Bureau of Labor Statistics (BLS) ES-202 series. The ES-202 series provides monthly employment and quarterly wages for each county in four-digit SIC detail. Local area employment estimates are released at the one-digit SIC level because self-employment is estimated — based mainly on data tabulated from individual and partnership income tax returns — at the one-digit level.

Net job growth by place of work was calculated for this report by subtracting the number of jobs for a given industry/type category (e.g., farm proprietor) in 1990 from the number in 2000. The job growth rate for an industry/type category was calculated by dividing its net job change between 1990 and 2000 by total jobs in 1990 and multiplying the result by 100.

ACKNOWLEDGEMENTS

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