

Agriculture and Rural Links: A 2010 Overview

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Presentation

The Federal Reserve Bank of Chicago

Perspectives on the Intersection of Midwest Agriculture and Rural Development

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Disclaimer: Analysis does not reflect the official position of USDA or ERS.

The presentation intends to show:

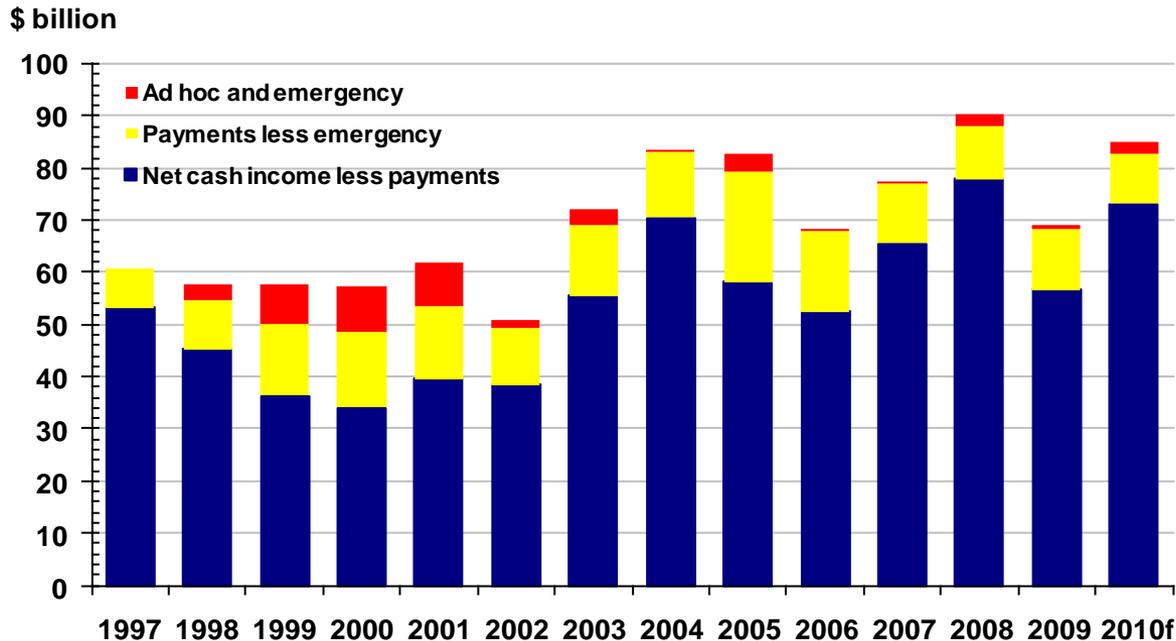
1. Latest financial situation in agricultural sector and diversity in the agricultural sector.
2. Indicators for rural people and communities.
3. Extent of linkages between agriculture and rural economies.

1. Summary of latest financial picture for the sector

- All standard measures of farm sector and farm household financial performance indicators are projected to improve from 2009 to 2010:
 - Sector income
 - Farm household income from farm and off-farm sources
 - Farm land values and net worth
 - Debt-to-asset ratio remains relatively low (with assets increasing and debt declining)

Net cash income forecast to increase by 23 percent in 2010

Net cash income and farm payments, 1997-2010f



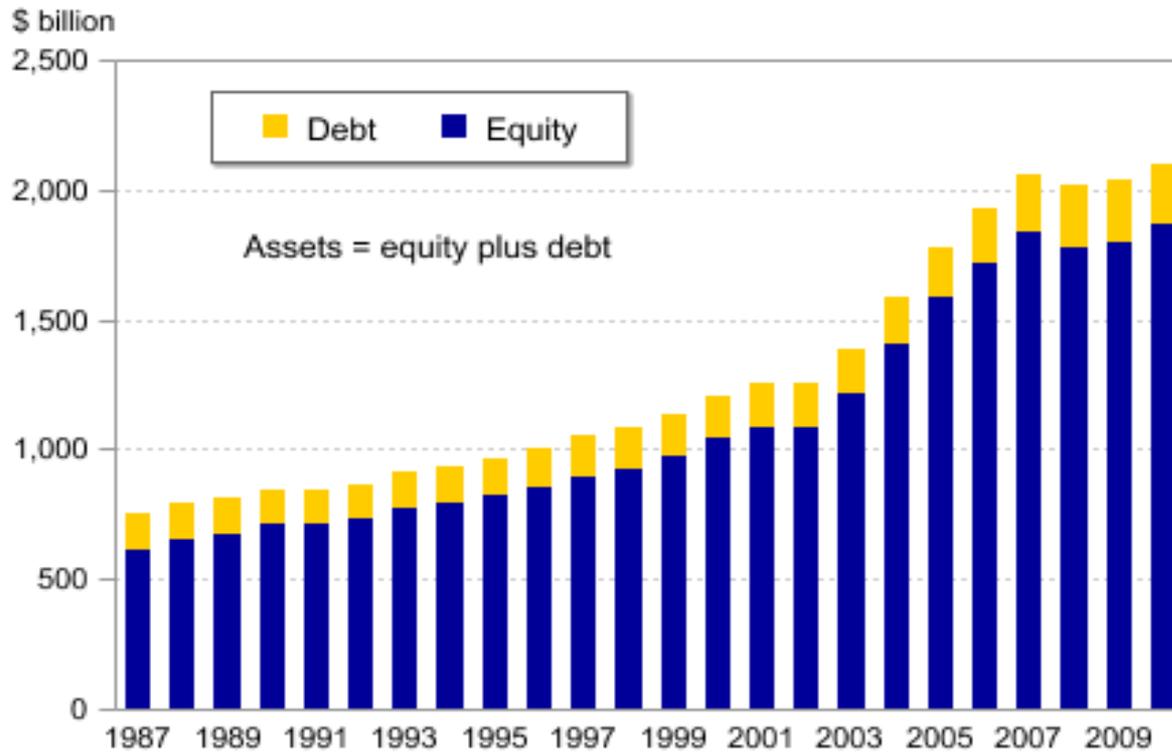
* Net cash income is a measure of cash available to farmers to meet expenditures, pay taxes, and service debt.

Source: Economic Research Service.

Cash receipts for most major commodity groups are up in 2010f, especially for livestock

Asset values are projected to increase for the second straight year

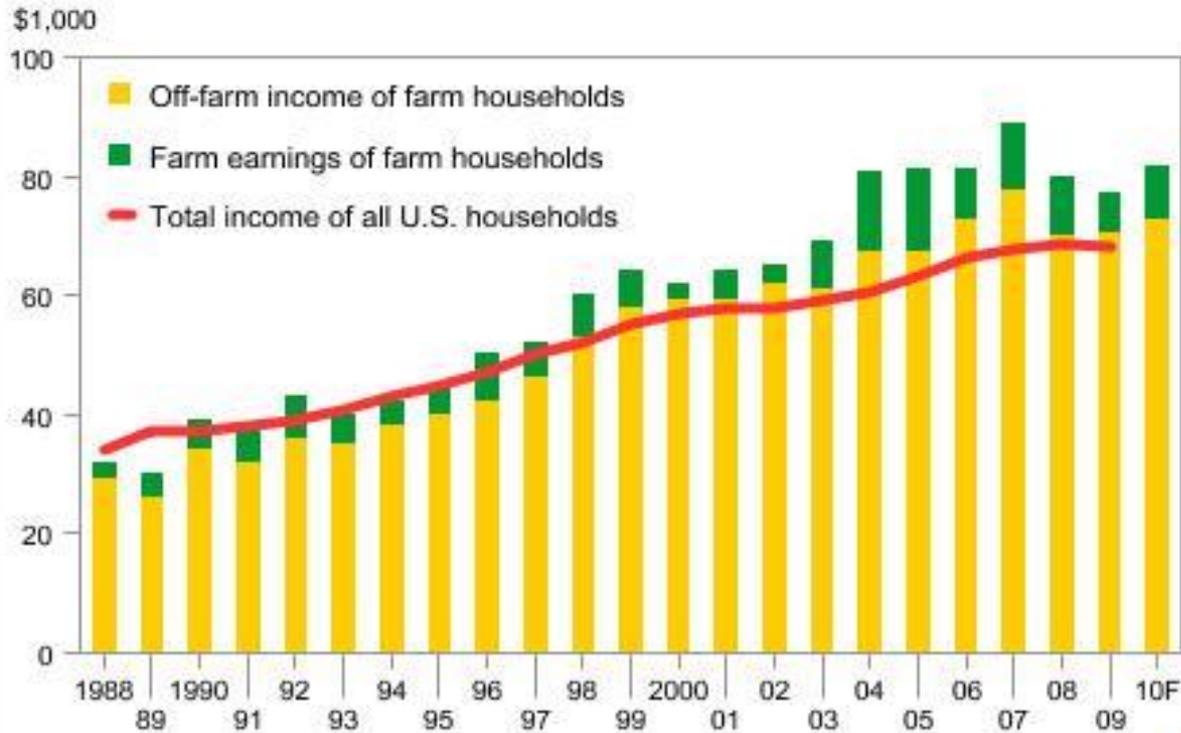
Farm sector assets, debt, and equity 1987-2010f



Source: Economic Research Service, USDA.



Average farm operator household income, by source, compared with U.S. household income, 1988-2010F



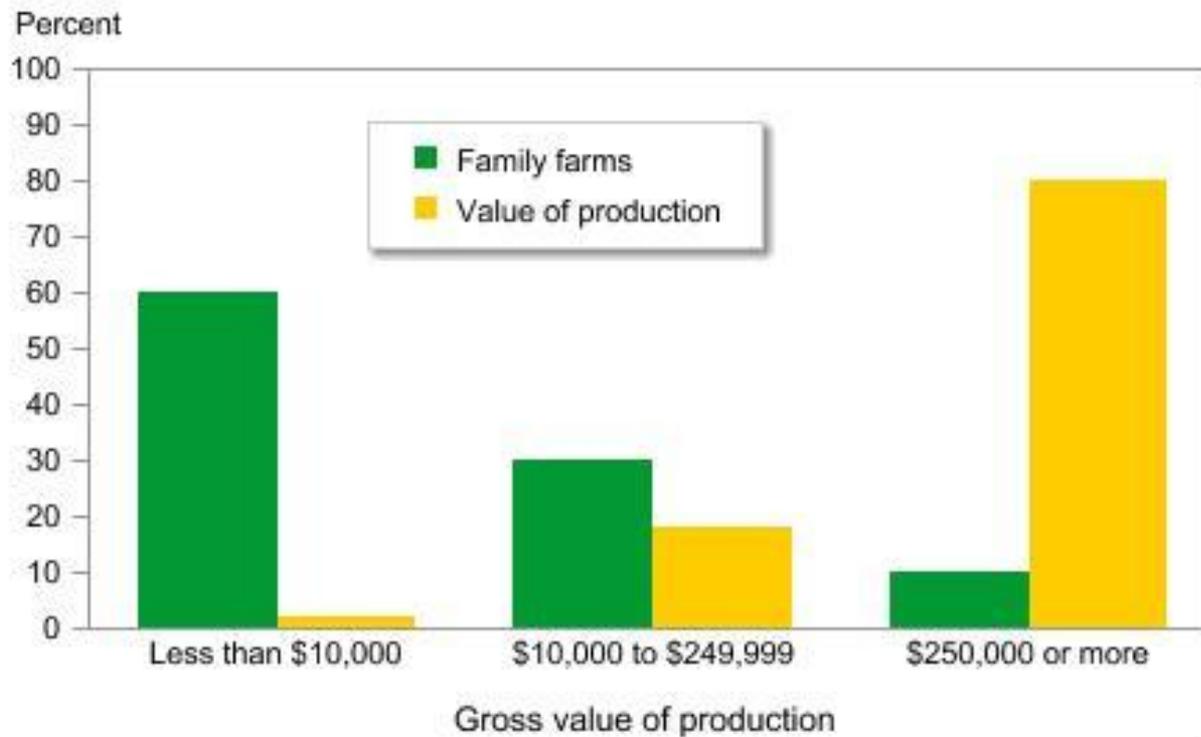
Source: Agricultural Resource Management Survey, ERS and NASS, USDA and the Current Population Survey, U.S. Bureau of the Census.



Long-run structural trends and diversity in the sector

- Increasing use of production and marketing contracts since the 1950s
- Increasing concentration in the production of most agricultural commodities
- Increase in the absolute number of small farms—the importance of looking at indicators by farm size in order to understand well-being

Farms vary significantly by farm size and most account for a small share of production, 2009

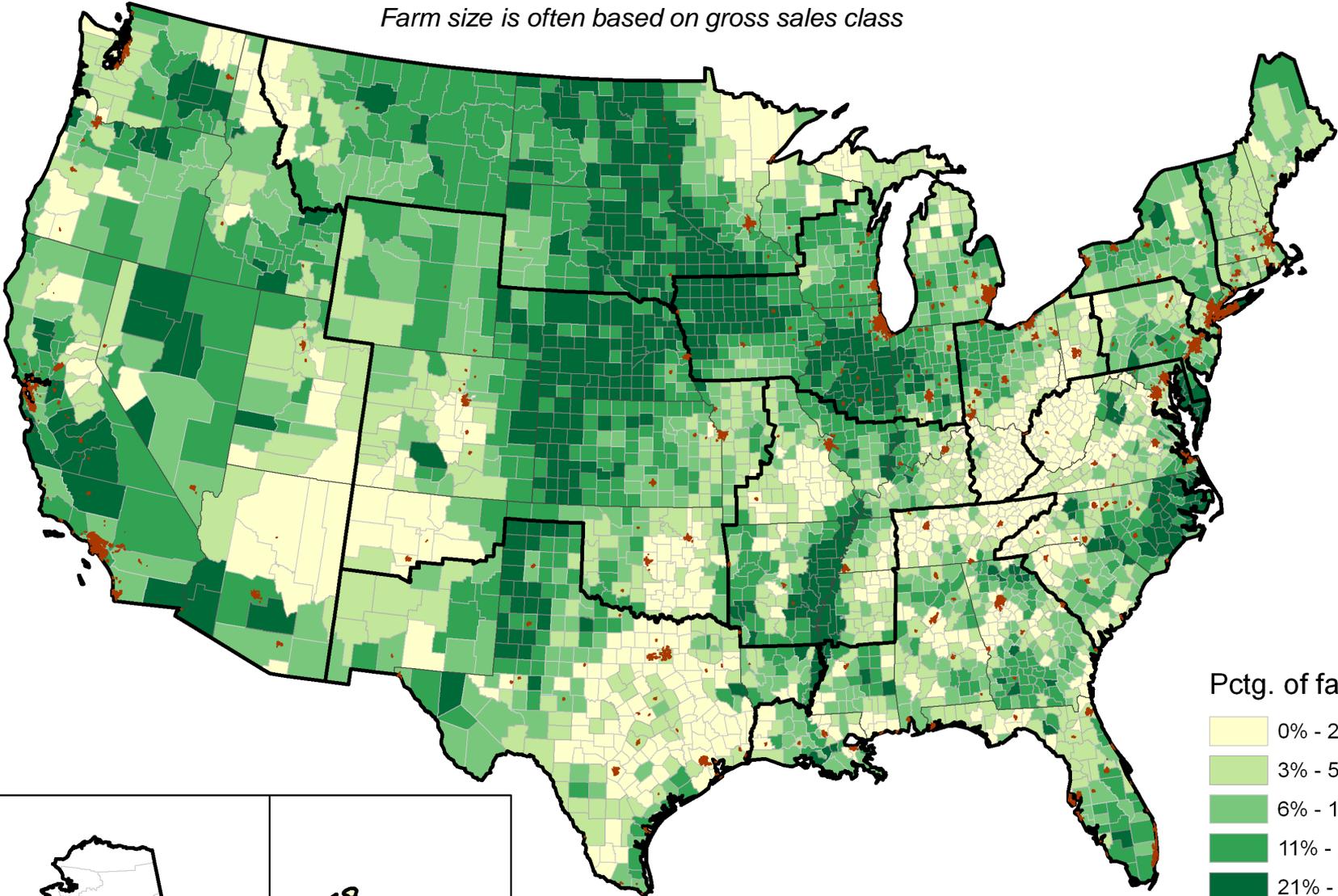


Source: Agricultural Resource Management Survey, ERS and NASS, USDA.



Percentage of farms with sales greater than \$250,000 in 2007, by county*

Farm size is often based on gross sales class

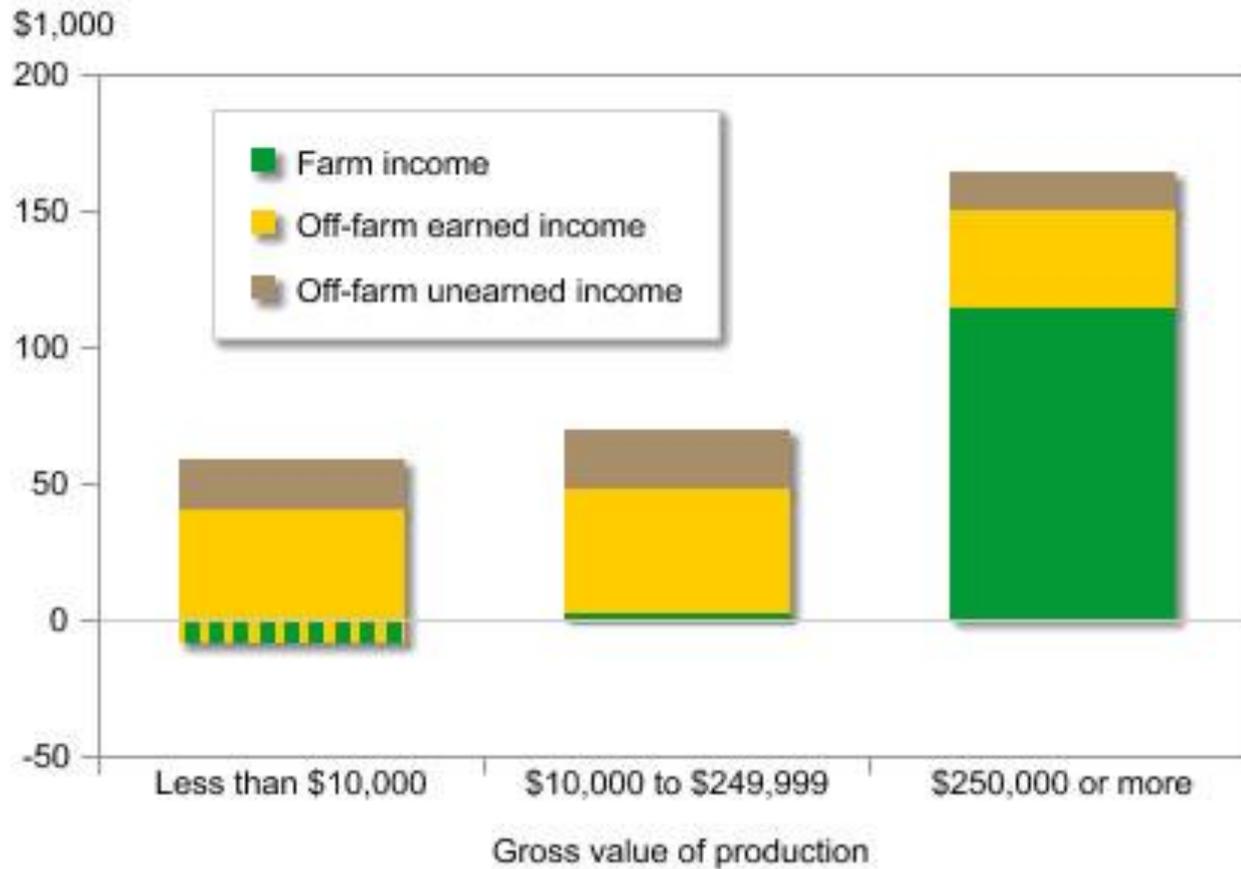


Pctg. of farms

- 0% - 2%
- 3% - 5%
- 6% - 10%
- 11% - 20%
- 21% - 53%
- No Data
- Urban areas
- FRB districts

* 2007 Census of Agriculture

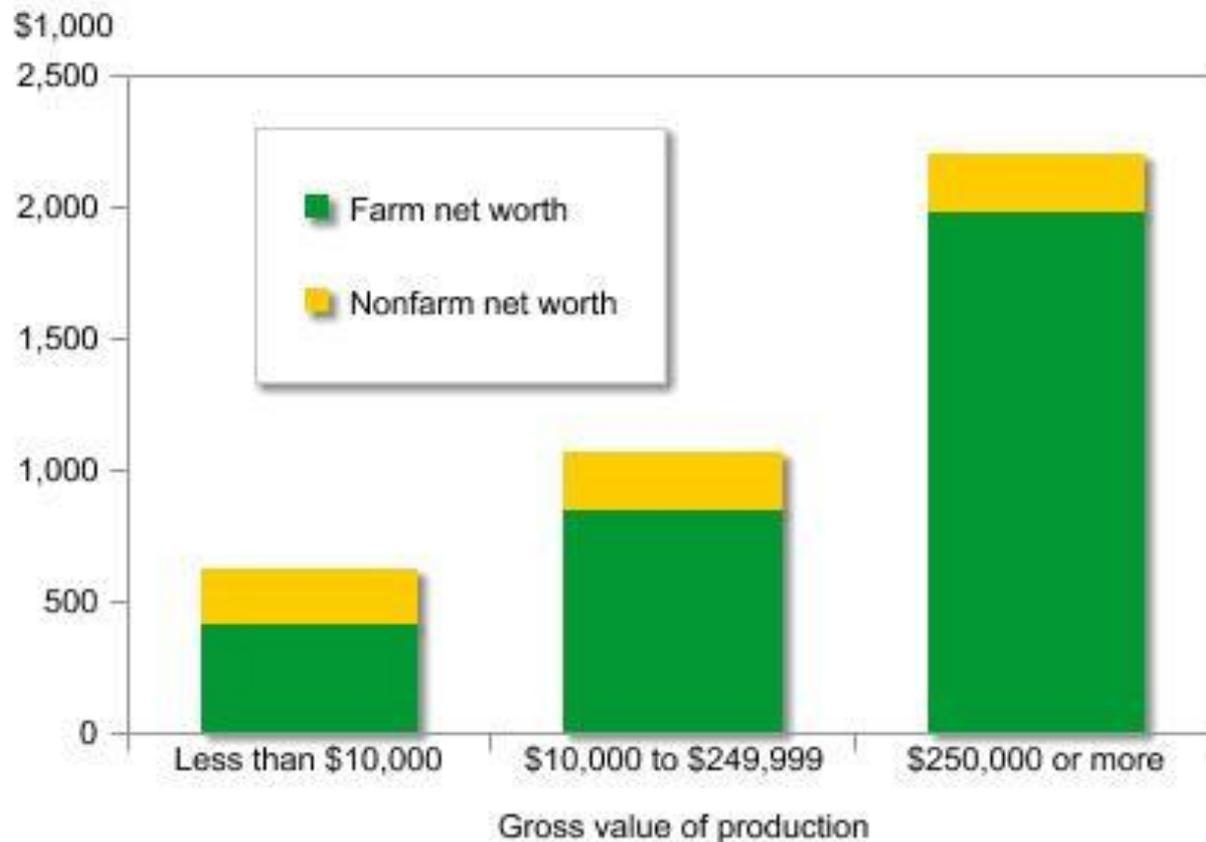
Farm operator household income, by size of farm, 2009



Source: Agricultural Resource Management Survey, ERS and NASS, USDA.



Average farm household net worth, by size of farm, 2009

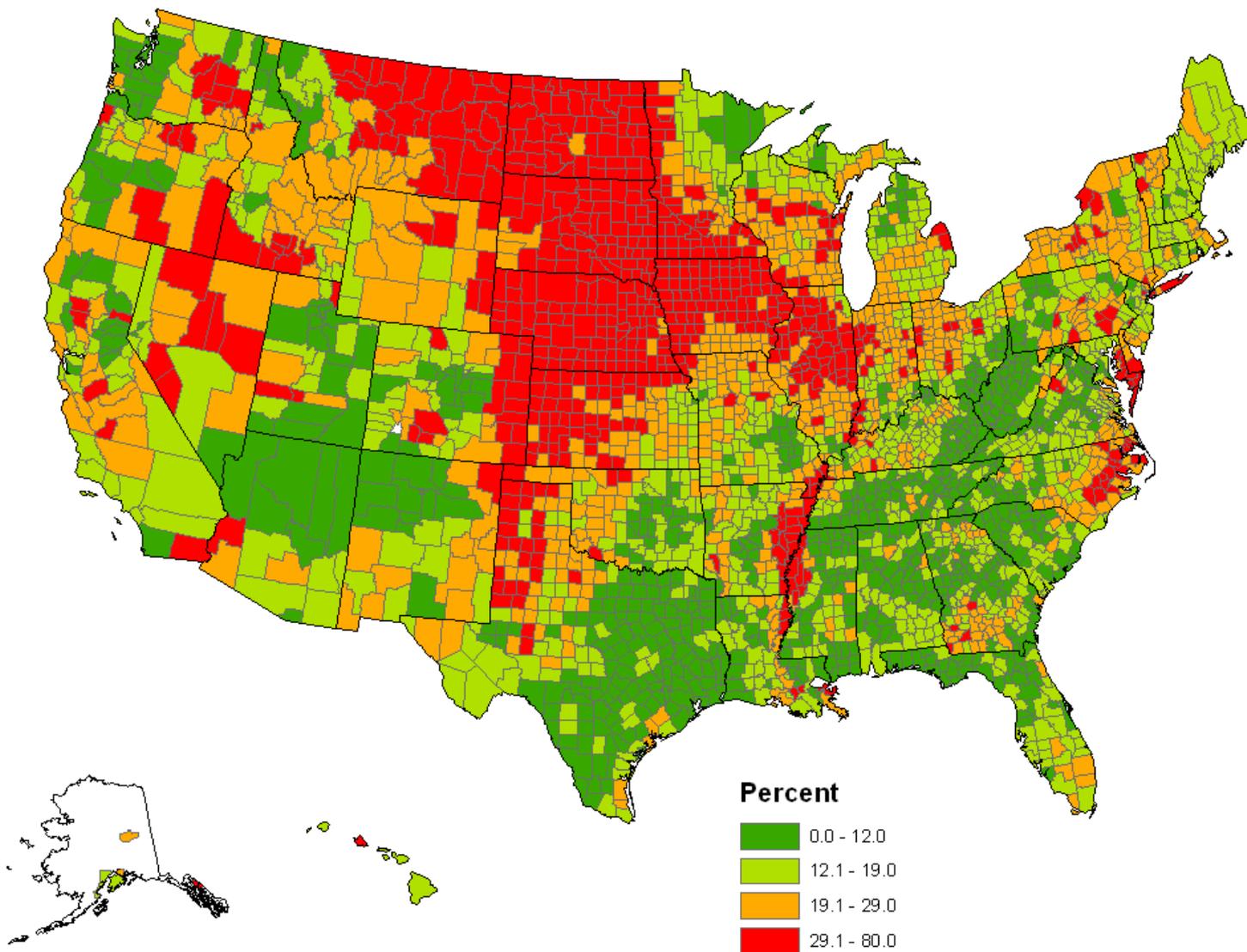


Source: Agricultural Resource Management Survey, ERS and NASS, USDA.



The median wealth of farm operator households in 2007 was more than 4 times the level reported in the latest *Survey of Consumer Finances*, FRB.

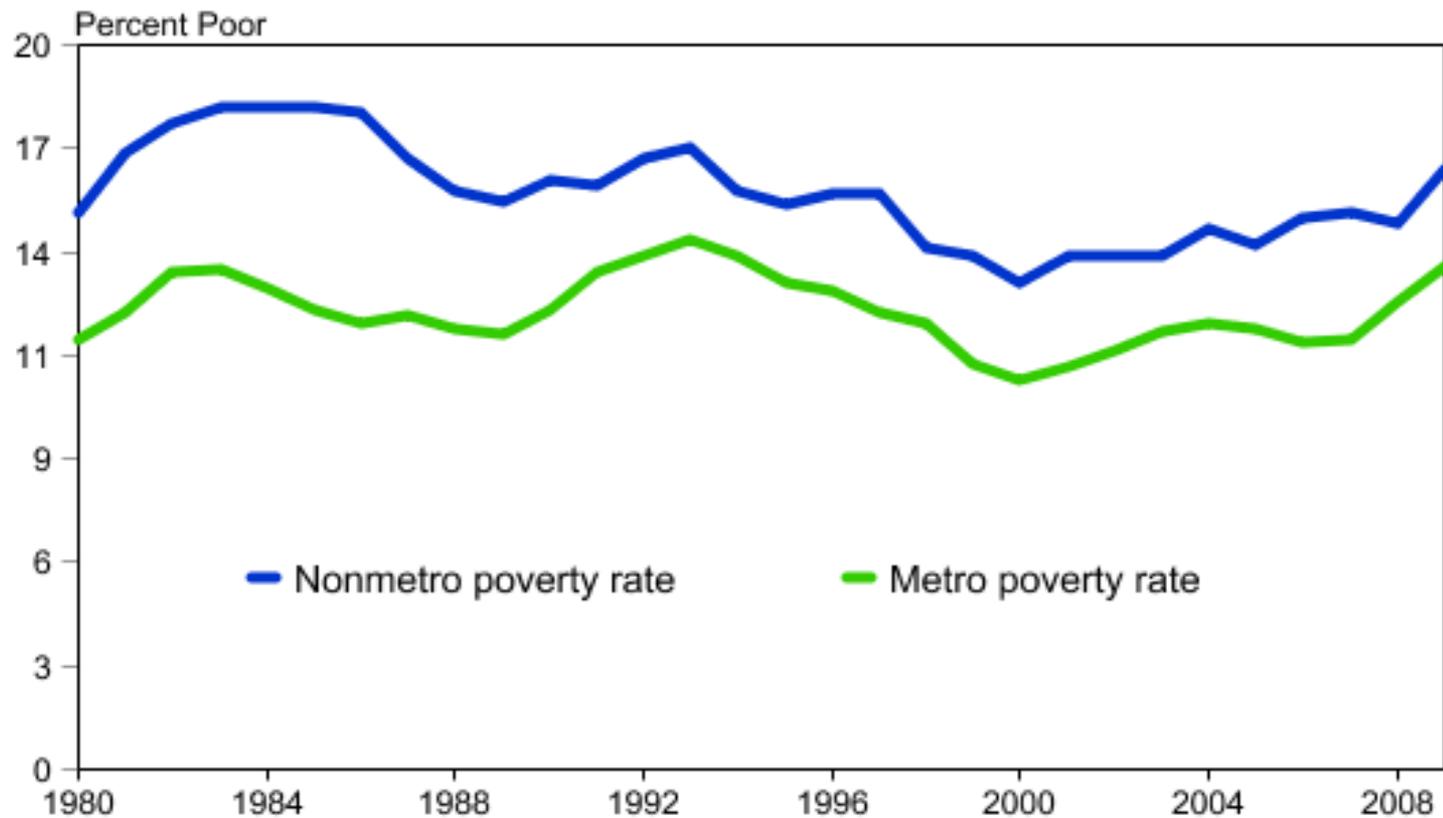
Mean Percentage of Farm Household Income from Farming, 2007



2. Rural Indicators

- Rural households do not generally have as positive a financial position as farm households: poverty, earnings, unemployment.
- Other sectors are more important than ag in providing rural jobs:
 - Professional and managerial, 26%
 - Sales and office occupations, 23%
 - Other blue-collar occupations, 22%
 - Service, 17%
 - Construction and extraction, 7%
 - Farming, fishing, forestry, 5%
- Education and diverse economies are important drivers of development.

Metro and nonmetro poverty rates, 1980-2009



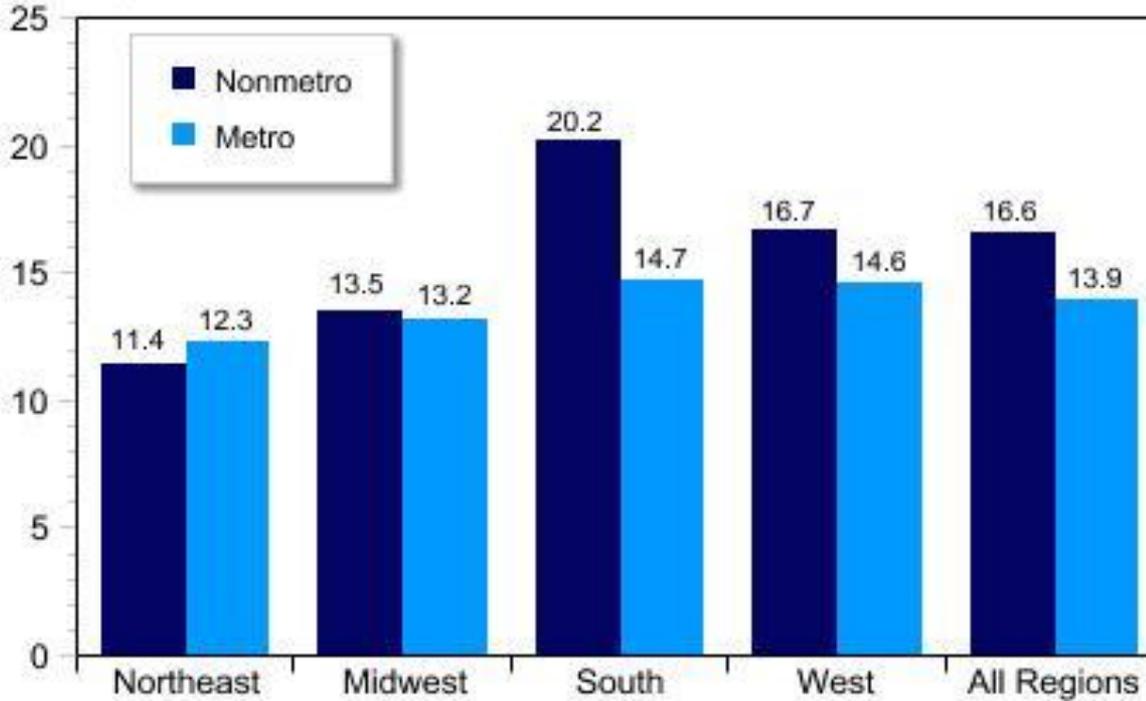
Note: Metro status of some counties changed in 1984, 1994, and 2004.

Source: USDA, Economic Research Service using data from the Current Population Survey March Supplements

Poverty rates by region and residence, 2009

Nonmetro-metro difference is largest in the South

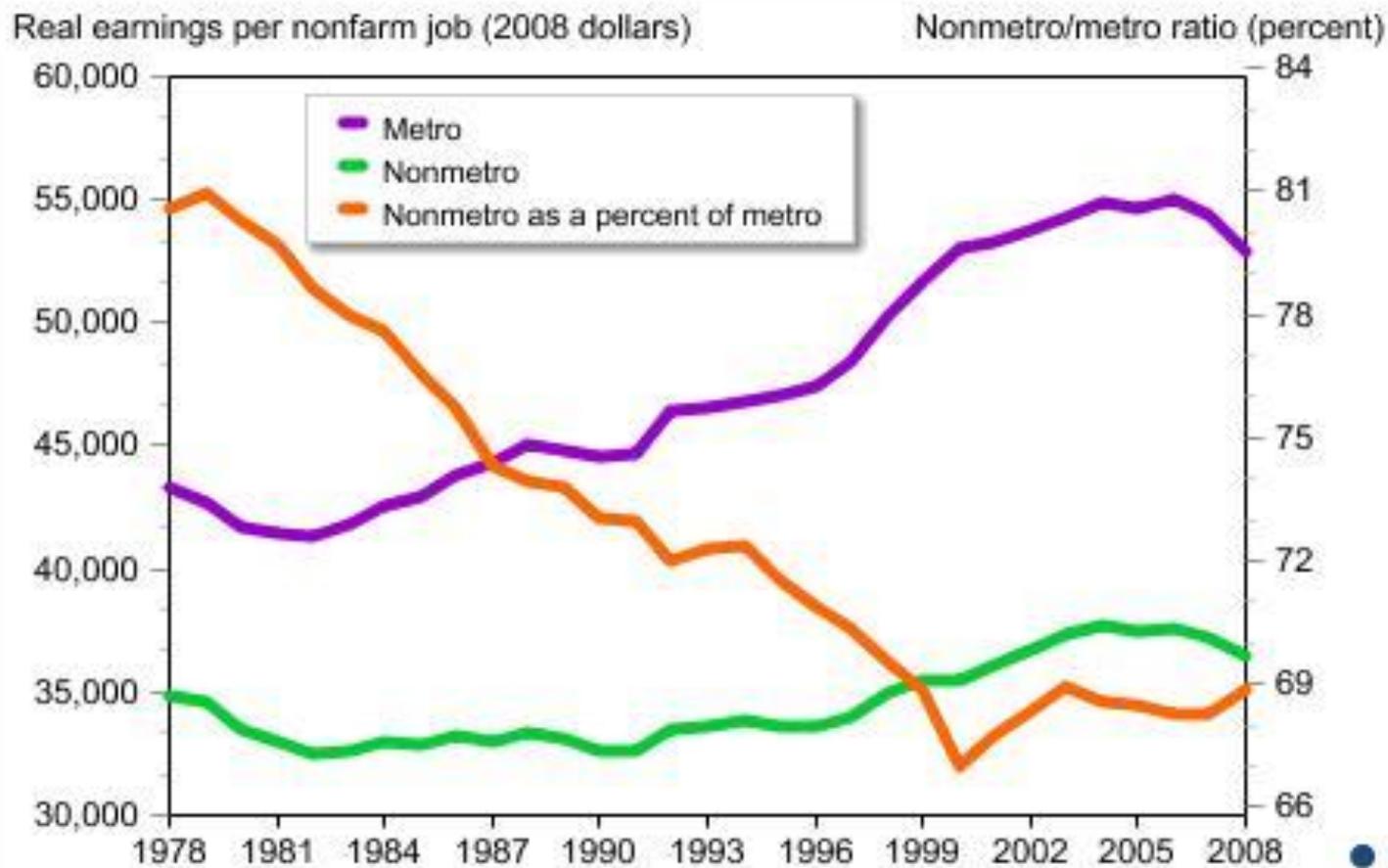
Percent poor



Source: Prepared by the Economic Research Service using data from the U.S. Census Bureau's 2010 Current Population Survey, March Supplement.



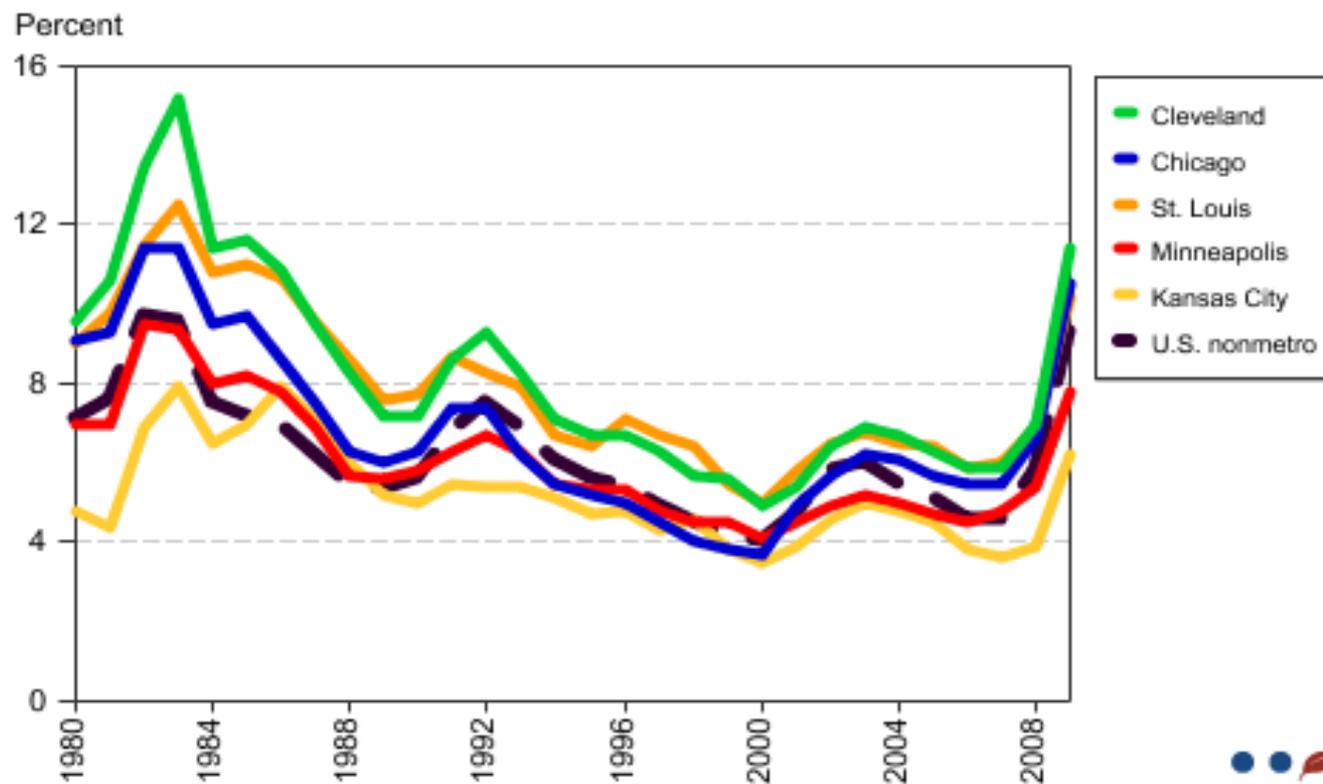
Nonfarm earnings per job, 1978-2008



Source: Calculated by ERS using data from the Bureau of Economic Analysis.



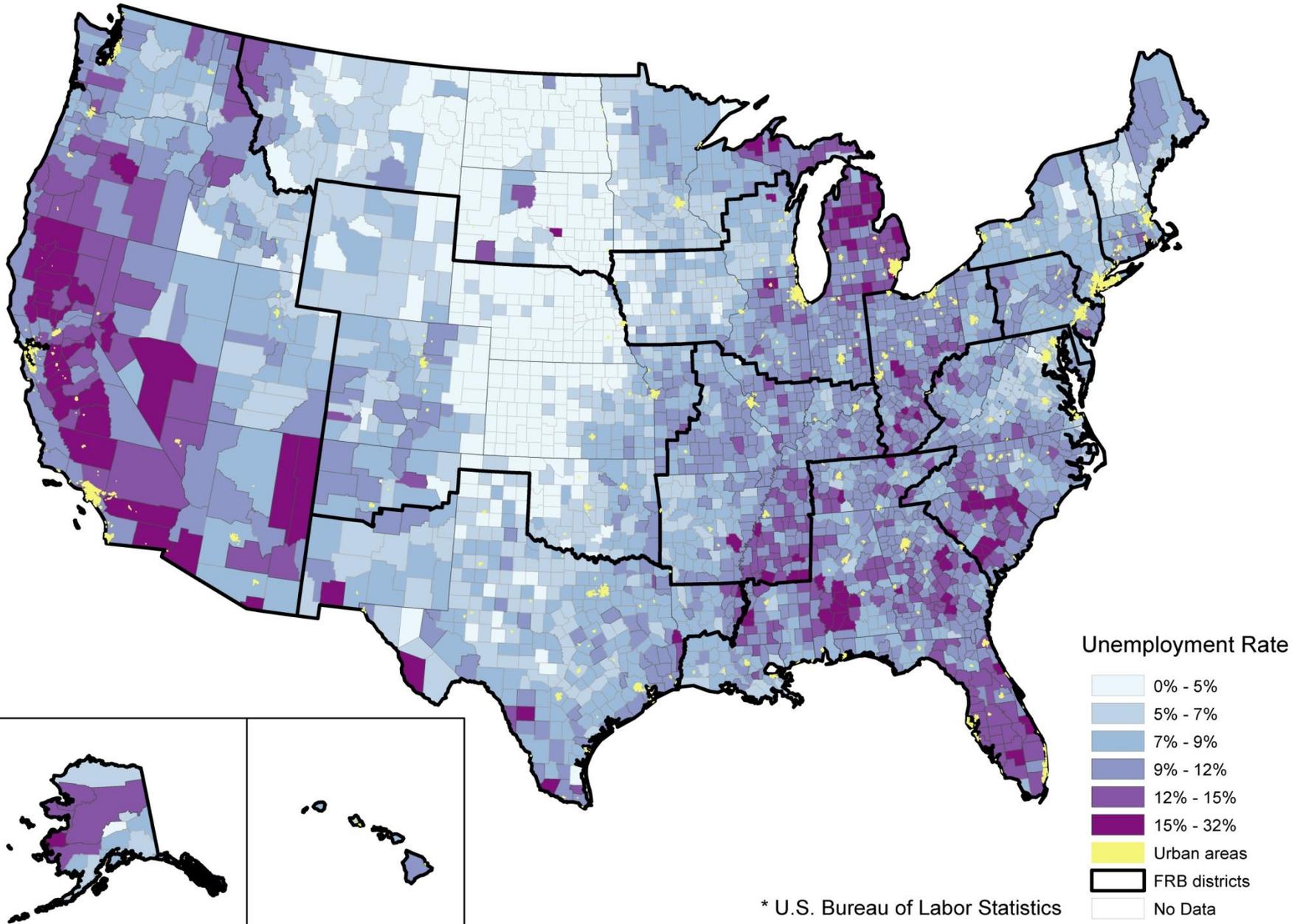
Unemployment rates in nonmetro counties, for selected FRB districts, 1980-2009



Source: U.S. Bureau of Labor Statistics and the U.S. Bureau of the Census.

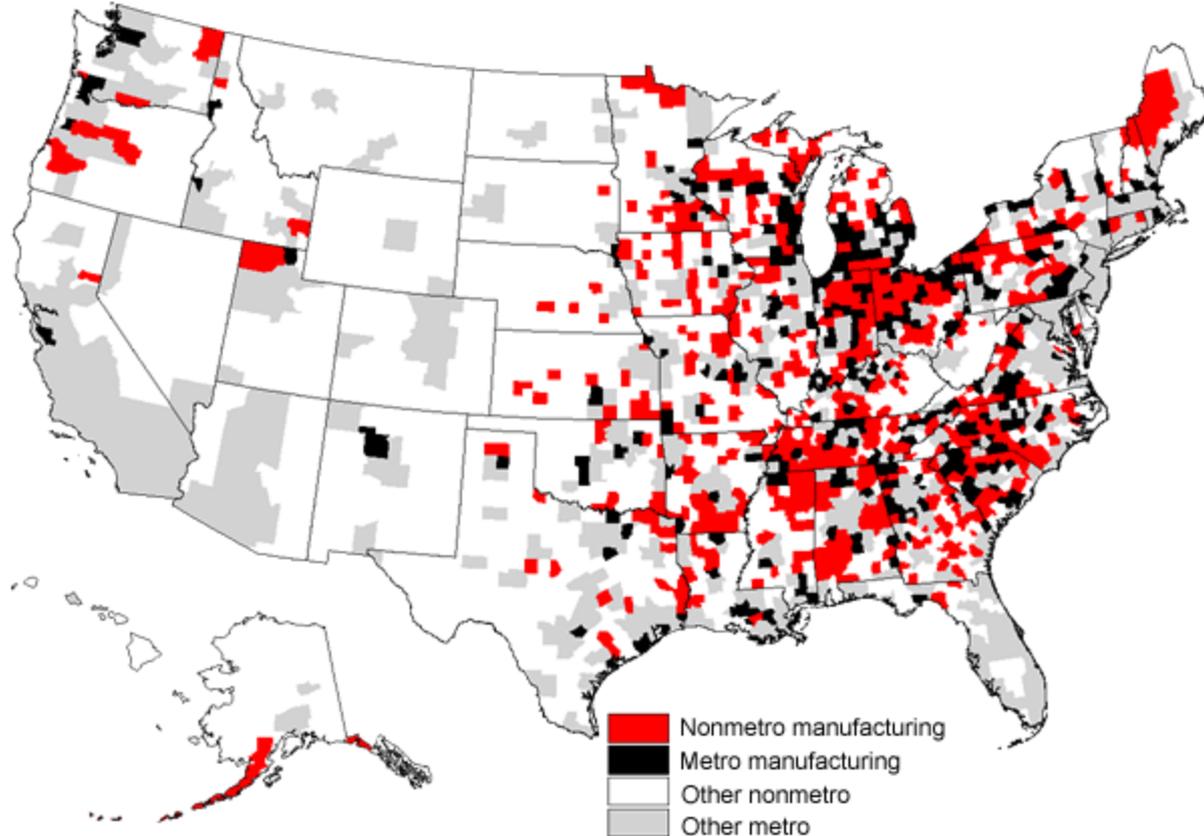


Unemployment rate in 2010, third quarter, by county*



* U.S. Bureau of Labor Statistics

Manufacturing-dependent counties, 1998-2000



Manufacturing-dependent counties—an annual average of 25 percent or more of total county earnings derived from manufacturing during 1998-2000.

Source: Economic Research Service, USDA.

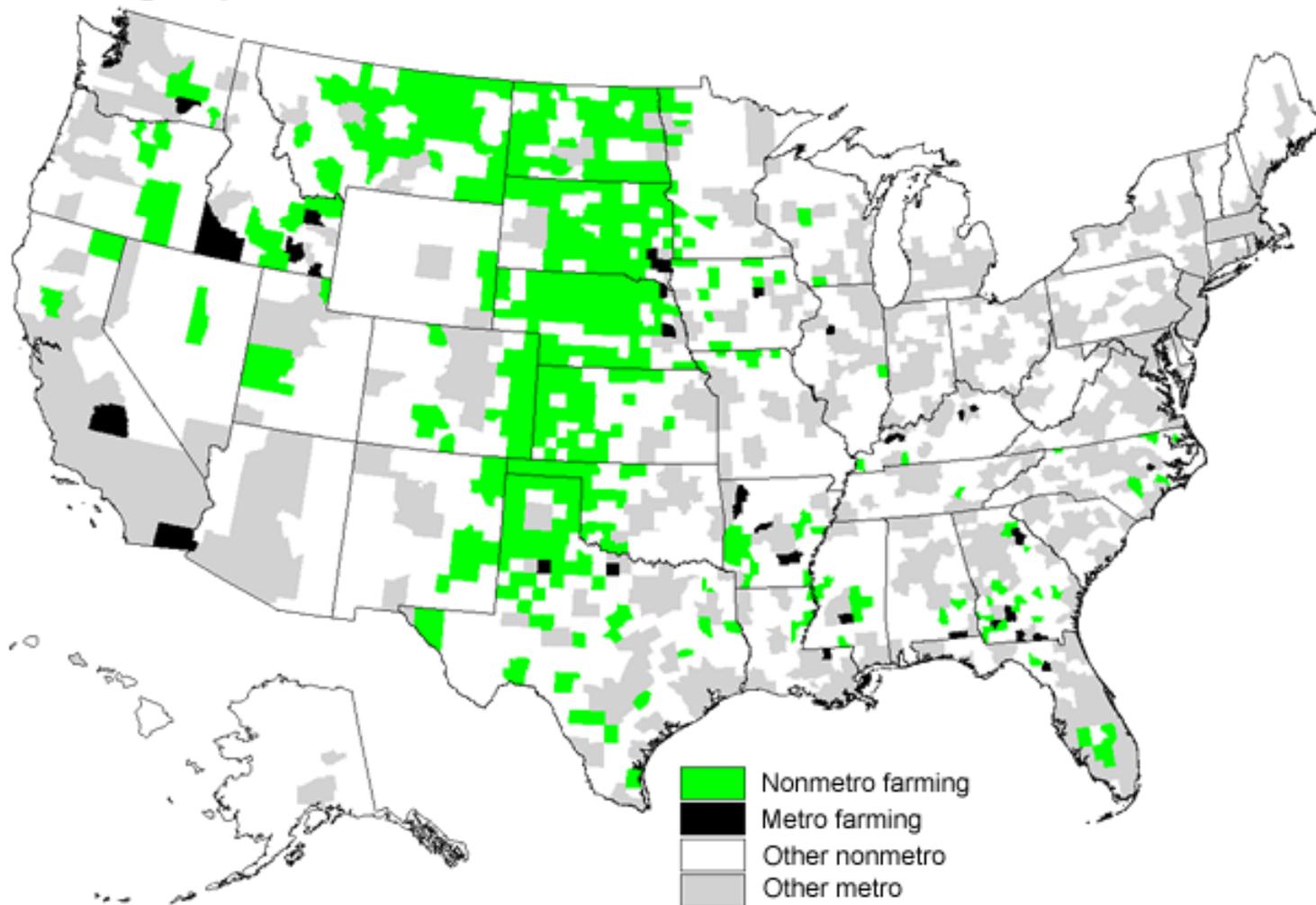
The educational attainment of the population plays a role in the extent of growth in manufacturing jobs:

- During the 1980's low education counties had higher rates of growth, but experienced declines in the 1990s, in contrast to high education counties.

3. Agriculture and Rural Linkages

- Farming household members represent:
 - 1.8% of US population and
 - 6.5% of nonmetro population
 - Farming provides 6% of jobs in nonmet counties
- Greater economic linkages exist for certain types of communities or regions through generation of downstream and upstream activity, e.g.,
 - agritourism in New England,
 - local foods in rural portions of metro counties or near vacation destinations,
 - biofuel production near feedstock production,
 - slaughter houses near livestock production.
- Many consider farming to be more than just the efficient production of food, fiber, and energy in a new global order. In particular, the nature of farming is sometimes considered to be linked to:
 - The quality of life in farming communities, e.g., landscapes, lack of congestion
 - Quality, safety, and security of food, including location of production
 - Natural resource management—since 45% of land in the U.S. is in agricultural uses (*another 30% in forestry*)
- But...Many of these linkages are difficult to quantify or their value is “*in the eye of the beholder*”

Farming-dependent counties, 1998-2000

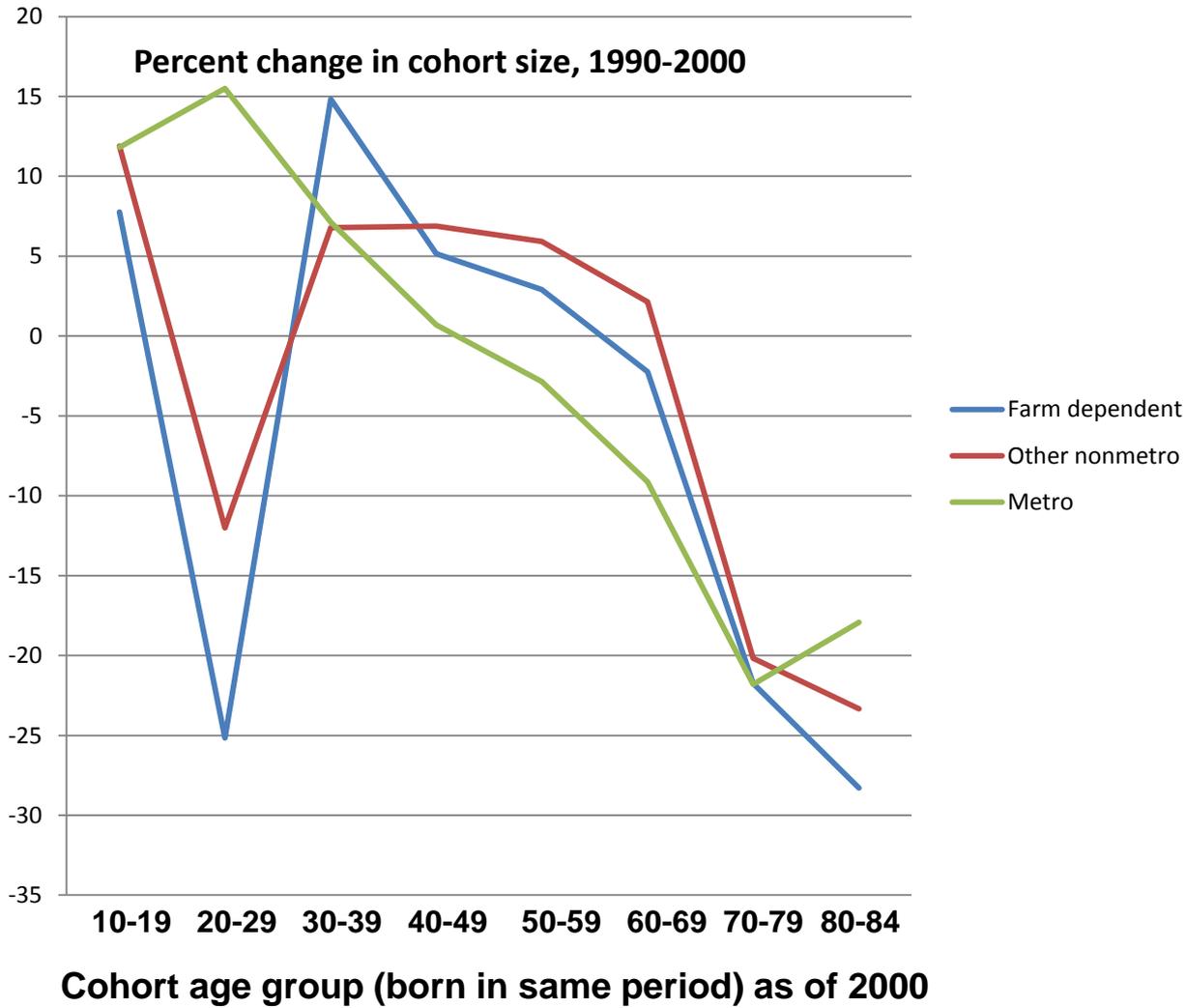


| | Values/ acre | Average acres |
|----|-----------------|------------------|
| IL | 4,650 | 352 |
| IN | 4,100 | 241 |
| IA | 3,900 | 333 |
| MI | 3,650 | 182 |
| MN | 2,940 | 332 |
| NE | 1,460 | 966 |
| KS | 1,060 | 705 |
| SD | 920 | 1,387 |
| ND | 810 | 1,238 |
| US | 2,140 | 418 |

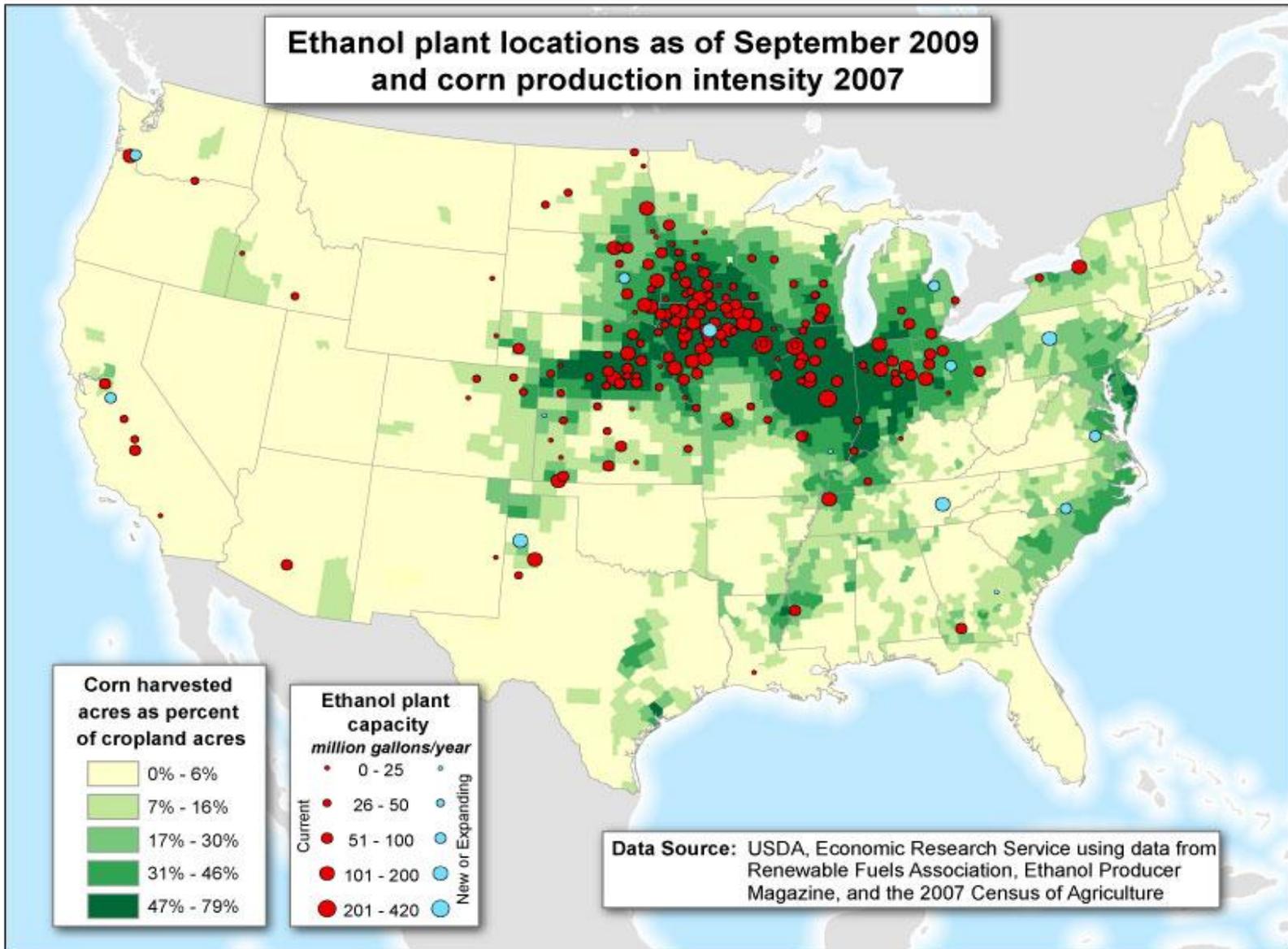
Farming-dependent counties—either an annual average of 15 percent or more total county earnings derived from farming during 1998-2000 or 15 percent or more of employed residents working in farm occupations in 2000.

Source: Economic Research Service, USDA.

Age cohorts by county type, 1990-2000

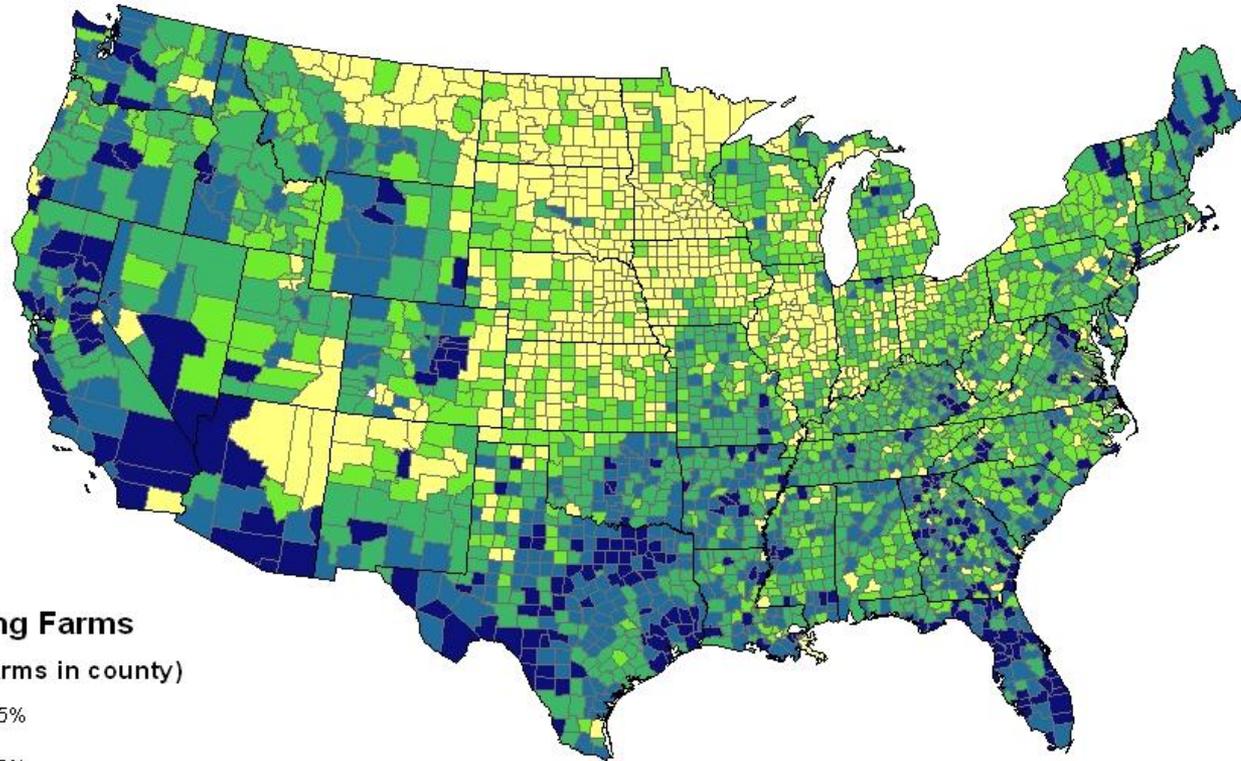


Ethanol plant locations as of September 2009 and corn production intensity 2007



Share of farms in a county that are beginning farms

Distribution of Beginning Farms



Beginning Farms

(% of all farms in county)

- under 25%
- 25% - 30%
- 30% - 35%
- 35% - 40%
- over 40%

Includes farms where all operators have less than ten years experience on current farm.

Source: ERS Tabulations based on USDA/NASS 2007 Census of Agriculture.

| | Values /acre | Aver. acres | Value/ Farm (thous) |
|-----------|-----------------|----------------|---------------------------|
| IL | 4,650 | 352 | 1,637 |
| IN | 4,100 | 241 | 988 |
| IA | 3,900 | 333 | 1,299 |
| MI | 3,650 | 182 | 664 |
| MN | 2,940 | 332 | 976 |
| NE | 1,460 | 966 | 1,410 |
| KS | 1,060 | 705 | 747 |
| SD | 920 | 1,387 | 1,276 |
| ND | 810 | 1,238 | 1,003 |
| US | 2,140 | 418 | 895 |

Concluding comments and future research questions

- Farm economy is currently in a strong position, but it is a small segment of the rural economy.
- Outmigration in farming dependent counties continues. Nonfarm opportunities are critical to beginning and small farmers.
- Regional impacts of biofuel production on structure, prices, and economic development?
- In economies with more sector balance, will growth in small farms continue?
- Job growth continues positive, but at a slow rate. Questions about nonfarm employment growth during recovery, e.g., future of manufacturing in the Midwest and the importance of human capital.
- Questions about the magnitude and impact of the consumer interest in local foods, safer foods, organic foods, and agritourism. Will they outgrow their niche positions?

Useful ERS links:

Briefing Rooms:

- <http://www.ers.usda.gov/Briefing/FarmIncome/>
- <http://www.ers.usda.gov/Briefing/WellBeing/>
- <http://www.ers.usda.gov/Briefing/LaborAndEducation/readings.htm>
- <http://www.ers.usda.gov/Briefing/IncomePovertyWelfare/>

Data for rural analysis:

- <http://www.ers.usda.gov/features/ruraldata/>