TRAMPLED DREAMS:
The Neglected Economy of the Rural Great Plains

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Center for Rural Affairs

Trampled Dreams: The Neglected Economy of the Rural Great Plains was written by Jon M. Bailey, Program Leader of the Farm and Community Policy Program at the Center for Rural Affairs, and Dr. Patricia E. Funk, Research Consultant.

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Jon and his wife Ginger live on a farm near Walthill, Nebraska, with their children Michael and Anna.

Had I the heavens' embroidered cloths,
Enwrought with golden and silver light,
The blue and the dim and the dark cloths
Of night and light and the half-light,
I would spread the cloths under your feet:
But I, being poor, have only my dreams;
I have spread my dreams under your feet;
Tread softly because you tread on my dreams.

William Butler Yeats
"He wishes for the Cloths of Heaven"
from *The Wind Among the Reeds* (1899)

EXECUTIVE SUMMARY

Trampled Dreams: The Neglected Economy of the Rural Great Plains describes the economic conditions of small agricultural communities as compared to other urban and metropolitan areas in a six-state region comprised of Iowa, Kansas, Minnesota, Nebraska, North Dakota and South Dakota.

Based on the United States Department of Agriculture county typology system, we identified 261 counties (of 503) throughout this region that have an agricultural based economy (20 percent or more of county income from agriculture). Of these agricultural counties, 185 are very rural, with no population center of 2,500 or more. We have designated these counties as "Rural Farm". Another 76 counties are classified as "Urban Farm", agricultural based with a population center of between 2,500 and 19,999. Together, these agricultural counties comprise 52 percent of the counties in this six-state region and 14 percent of the region's population. The other county groups are non-agricultural, non-metropolitan counties, referred to as "Nonfarm" (192 counties) and metropolitan counties (50 counties).

It is important to note that counties classified as agricultural are not populated solely by farmers and ranchers. In fact, less than one-fourth of the jobs in these counties are agricultural in nature (whether proprietorships or wage and salary). Despite the fact that the economies of these counties are largely built upon agriculture, more than three-fourths of the jobs are in the nonfarm sector.

The analyses for this report are based on United States Census data for 1989 and 1995 and annual data from the United States Bureau of Economic Analysis, Regional Economic Information System for the years 1988 to 1997. It is important to note the 1988 to 1997 period generally does not include the 1980s farm crisis years or the current farm crisis.

The following is a summary of the findings of this study on the economic characteristics of agricultural communities in the Great Plains, with special emphasis on rural farm counties.

◆ **Population Decline**. Agricultural counties lost 4 percent of their population from 1988 to 1997 while the region as a whole gained 6 percent in population, primarily due to strong growth in metropolitan counties. Population loss was most acute in rural farm counties, declining by 5 percent during the period.

◆ **Greater Poverty**. The percentage of people living below the poverty level in rural farm counties is more than 50 percent greater than in metropolitan counties (14 percent vs. 9 percent). Child poverty in rural farm counties is 50 percent greater than in metropolitan counties (18 percent vs. 12 percent). Poverty rates in urban farm counties also are greater than in metropolitan counties.

◆ **Widespread Poverty**. Poverty in the agricultural communities of the region is not found in isolated pockets. Rather, the poor represent the tail end of a large group of low-income households. Over one-third of households in agricultural communities had 1989 incomes of less than $15,000: 38 percent in rural farm counties, 31 percent in urban farm counties. About one in five metropolitan households had such low household incomes. At the other end, metropolitan

households were twice as likely as farm county households to have 1989 incomes of $50,000 or more.

◆ **Low Income and Earnings**. Income and earnings in rural farm communities are substantially lower than in metropolitan counties. The annual per capita income in rural farm counties is 83 percent of that in metropolitan counties. The gap increases when earned income alone is considered. Annual per capita earned income in rural farm counties is about two-thirds that of metropolitan counties; urban farm counties' earnings are 80 percent of the metropolitan county average.

◆ **Reliance on unearned income**. Agricultural communities have a significant dependence upon unearned income (e.g., Social Security), with over 40 percent of annual per capita income 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**. Despite volatility in the agricultural sector of the economy, earnings in rural farm counties were persistently low and, in every year from 1988 to 1997, substantially trailed those of other counties. Rural farm counties also did not follow the trend of steady upward earnings found in metropolitan and nonfarm counties. It is important to note that these figures represent a period of time between the farm crisis of the 1980s and the current farm crisis.

◆ **Entrepreneurial Character**. We found agricultural communities to be extraordinarily entrepreneurial in character. In rural farm counties, 43 percent of the jobs are proprietorships as are 33 percent in urban farm counties, but only 20 percent of jobs are proprietorships in metropolitan counties. Of course, that is to be expected in counties where there are still significant numbers of farmers and ranchers. Yet, it is important to note that nonfarm proprietors outnumber farm proprietors in farm counties. Nonfarm proprietorships are where much of the job growth is occurring in agricultural communities. Despite population declines, nonfarm proprietorships grew at nearly the same rate in farm counties as in metropolitan counties.

While this report does not present a comprehensive review of either state or federal economic and rural development policies, it does draw a number of implications and makes recommendations for pubic policy that are derived from work in the small agricultural communities in this region and from the data presented in this report:

◆ **Develop comprehensive development policy at the state level for rural and agricultural 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 establishment of greater research capacity to address the needs of these communities.

◆ **Establish federal and state Family Farm and Ranch Retooling Initiatives** to prepare family farmers and ranchers to compete in the 21st century and to increase the farm and ranch share of the food system profit.

◆ **Increase support, particularly by states, of "New Generation Agriculture."** This model of agriculture is rooted in family-scale farming and ranching, and 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.

◆ **Cultivate 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.

◆ **Improve targeting of federal agricultural programs to small and moderate farmers and ranchers** so that they may remain on the land.

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

◆ **Integrate conservation programs and community development** so as to provide an opportunity for communities and landowners to realize economic advantage from a resource advantage.

◆ **Provide incentives to private investment in agricultural communities** in order to realize economic advantages from the large amount of passive income there.

◆ Provide economic opportunities in the new economy by **assuring rural communities access to electronic commerce technology.**

◆ **Strengthen inter-local cooperation programs to improve the development capacity of communities.**

◆ **Base federal rural development policy at the regional rather than national level** so as to address the unique issues, challenges and opportunities in the agricultural communities of this six-state region.

This report updates some of the analyses presented in the Center for Rural Affairs' 1989 report, *A Socio-Economic and Demographic Profile of the Middle Border,* and in its 1990 rural economic policy report, *Half a Glass of Water*. Those reports reviewed the economic conditions of agricultural communities in this six-state region, and analyzed state economic development policies that impacted them. The following characterization of agricultural communities presented in *Half A Glass of Water* is just as valid today as it was in 1990:

> "They (small, agricultural communities) are substantial communities with strong traditions and values, and they suffer from the same development problems. But it is

important to recognize that those problems are fundamentally different from the problems of the urban communities and trade centers in these states. Like Appalachia, they constitute a region in distress, but one with unique and important characteristics. They are a resource these states share, but one that presents a special challenge and a special opportunity to the states."

INTRODUCTORY COMMENTS

(Rural America) is the place left behind. It is dying on the vine, a victim of strangulation by social, political, and economic neglect. That neglect is propelling us, gradually but powerfully, toward national human disaster.

U.S. Senator James Abourezk (South Dakota), 1973[1]

America has long celebrated its rural places and its rural people. The Jeffersonian ideal of an agrarian society built upon the toil of its "chosen people" – the yeoman farmers – has long been a cornerstone of American society. While the Hamiltonian ideal of a centralized government located in an urbanized, industrialized society has largely won the battle of political philosophies, we enshrine and build monuments to Thomas Jefferson, the voice of and the advocate for rural America.[2]

While the Jeffersonian idea of numerous family farmers supporting and supported by small-town shopkeepers never materialized nationally, it did take root in one area of the nation for a period of time that continues in some respect today. Urbanization and industrialization quickly came to the East; the South was the province of large plantations worked by slaves and sharecroppers; the West, the empire of federally subsidized irrigation, became the domain of large agricultural operations and urban destinations. Only the Great Plains of the Midwest witnessed the development of family farms and small towns over an extended period.[3]

The Great Plains[4] region was settled by dreamers. The men and women who developed the farms, ranches and rural communities of the Great Plains dreamed of escaping the oppressive political systems of foreign nations and the bleak economic systems of industrial America. They dreamed of creating something of their own – a farm, a ranch, a store, a business – and they found the opportunity in the wide-open spaces and rich soils of this region.

The dreams of those people largely came true. They built an agricultural system that is the envy of the world. They built a public education system that is recognized as the best in the United States. They built a society of personal, civic, and public institutions that has become the stereotype of America (the "Midwesterner"). And for much of the region, they were the personification of the Jeffersonian ideal.

But dreams are often gossamer, and can be trampled upon in an instant. Many of the ancestors of those who sought to build a better life free of political oppression and economic deprivation

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[1] *Congressional Record,* 93rd Congress, 1st session, 119, pt. 4:4819.
[2] Jefferson, Thomas, *Notes on the State of Virginia,* New York: Harper & Row (1964, reprint).
[3] Davidson, Osha Gray, *Broken Heartland: The Rise of America's Rural Ghetto,* Iowa City: University of Iowa Press (1996). For an extended discussion of this issue, see Chapter 2.
[4] The "Great Plains" is used to identify the region which is the subject of this study. Previous studies by the Center for Rural Affairs used the term "Middle Border;" we have chosen not to continue that term. Other terms such as "North Central" generally include more states than used herein. For those reasons, "Great Plains," which is generally defined as including at least part of all six states studied herein, seemed the best choice.

are now living in poverty without any apparent political strength. In a stunning reversal of the stereotype of poverty, the three poorest counties in the nation are in rural Nebraska, and 18 of the poorest 50 counties in the nation, are agriculturally-based counties in Nebraska, North Dakota, and South Dakota.[5]

Table 1. Agriculturally-Based Great Plains Counties among the Nation's Poorest 50 Counties

County	Rank*	Per Capita Income**	Pct. of National Avg.
McPherson, NE	1	3,961	15.7
Keya Paha, NE	2	5,666	22.4
Loup, NE	3	6,163	24.4
Slope, ND	4	6,619	26.2
Ziebach, SD	7	8,646	34.2
Sioux, ND	9	8,993	35.6
Todd, SD	10	9,263	36.6
Arthur, NE	15	9,958	39.4
Grant, NE	16	9,977	39.5
Corson, SD	18	10,784	42.6
Grant, ND	20	10,803	42.7
Blaine, NE	21	10,915	43.2
Banner, NE	24	11,075	43.8
Sioux, NE	31	11,499	45.5
Dunn, ND	36	11,783	46.6
Mellette, SD	38	11,864	46.9
Buffalo, SD	48	12,074	47.7
Harding, SD	49	12,074	47.7

* of 3,110 counties in the United States, with 1 being the lowest per capita income

** in dollars

Note: Shannon County, South Dakota, is the 14th poorest county, with a per capita income of $9,753 (38.6 percent of the national average). Shannon County is classified as a nonfarm county, as defined herein.

Source: United States Department of Commerce, Bureau of Economic Analysis, 1997 (last year for which data are available).

The economic disparity of many residents of the region are found in other measures. For example, four states in the region – Minnesota, North Dakota, Kansas and Nebraska – are the only states in the nation where 10 percent or more of the workforce has more than one job.[6] This suggests that many rural residents of the region are cobbling together two or more jobs to make ends meet during a time of unparalleled national economic prosperity.

To claim, however, that the economic situation facing rural areas of the region is simply one part of the nation missing out on the nation's economic prosperity misses part of the point. The most troubling aspect of this rural economic disparity in the region is its persistence. In previous studies examining data from 1969 to 1986, we found that rural areas of the region had

[5] "Agriculturally-based" counties are defined as Rural Farm and Urban Farm counties; these county types are outlined in the following section.

[6] The national rate is 6.3 percent of the workforce holding multiple jobs. Data from the North Dakota State Data Center, North Dakota State University (data from 1998, the last year for which data are available).

significantly lower incomes and significantly higher rates of poverty than did non-rural areas of the region.

The economic distress faced by these rural areas are chronic and longstanding. While the periodic economic crises facing agriculture are of great importance to this region and its communities, the economic distress facing rural communities of the region is, as Osha Gray Davidson stated in *Broken Heartland*, “no more a farm crisis than the Boston Tea Party was the result of a tax crisis. The troubles in America’s Heartland are symptoms of much larger problems in our society.”[7]

One of these symptoms is neglect by state and federal policymakers of the type of economic development that is needed in the rural areas of the region. This study provides an antidote to that neglect by providing not only a wakeup call to the complacency brought about by a mythical opinion of rural America, but by also providing recommendations for local, state and federal policymakers. These public policy prescriptions are rooted in the type of economy that will flourish in rural areas of the Great Plains, and, much like the dreamers who settled the region, will allow new dreamers to help themselves and chart their own course of economic prosperity.

A final note: admittedly, this report does not address the economic situation of the original occupants of the region, the American Indians who comprise a significant population of the region. The data employed in this study include the counties upon which the Indian reservations of the region are located; as such, population, income, poverty and employment data relating to Native Americans in the region are included and thus effect the county classification and the averages of different types of counties.

While this study attempts to address general issues of rural poverty in the Great Plains region, it is without dispute that Native Americans are the most economically distressed rural residents in the nation and the region. The unique economic, social and historical issues confronting native populations and their reservations cannot be done justice here. We are simply unqualified to address such issues. Rather than attempting to address a set of issues outside of our expertise, we have chosen to leave these important issues to other, more competent commentators.

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[7] Davidson, *Broken Heartland*, page x.

PART I.

THE ECONOMIC STATUS OF AGRICULTURAL COMMUNITIES

In the midst of unprecedented national economic growth and a strong regional economy, there is chronic hardship in the predominately rural, agricultural communities of six Great Plains states in the North Central region: Iowa, Kansas, Minnesota, Nebraska, North Dakota and South Dakota. The recent spotlight on the plight of family farmers and ranchers during the current farm crisis underscores the fact that the persistent economic problems of these agricultural communities generally are overlooked.

Policymakers and national philanthropies 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. In most of these counties the poor are not concentrated in small geographic areas and the homeless are generally invisible. Although large in area, these counties are home to a small portion of the region's population.

This report updates some of the analyses from a study presented in the Center for Rural Affairs' 1989 report *A Socio-Economic and Demographic Profile of the Middle Border*[8] and in its 1990 rural economic policy review, *Half a Glass of Water*[9]. Those reports documented the wide economic gap between farm counties and other areas of the same six North Central farm states based on 1980 Census and 1986 Bureau of Economic Analysis data and analyzed state economic development policies that impacted agricultural communities.

The current study covers the period of 1988 to1997, an important time period because it begins after the devastating 1980s farm crisis and ends before the start of the current crisis in most areas of the region. The time period used in this study also includes one year, 1996, of record agricultural income. Furthermore, this time period also coincides with a period of unprecedented national prosperity.

Given these circumstances, it was reasonable to assume that this study would find that the agricultural communities of this region had reaped some economic benefits from the national economy and that the gap between rural and urban areas would have narrowed since the previous study. However, the results presented in this report reveal that the economic hardships in rural agricultural communities have persisted into the late 1990s.

DATA

Data for this study were taken from the United States Department of Commerce, Bureau of Economic Analysis, Regional Economic Information System for the period 1969 to 1997. The statistics for each class of county are based on unweighted county averages. Population figures

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

[9] 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.

and the 1995 poverty rates are derived from the United States Bureau of the Census, and income distributions are from the 1990 Census. An appendix is attached which contains technical data and definitions.

COUNTY CLASSIFICATION

The study utilized 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. Counties are divided into four categories: **rural farm, urban farm, nonfarm and metropolitan** (metro). These are defined as follows:

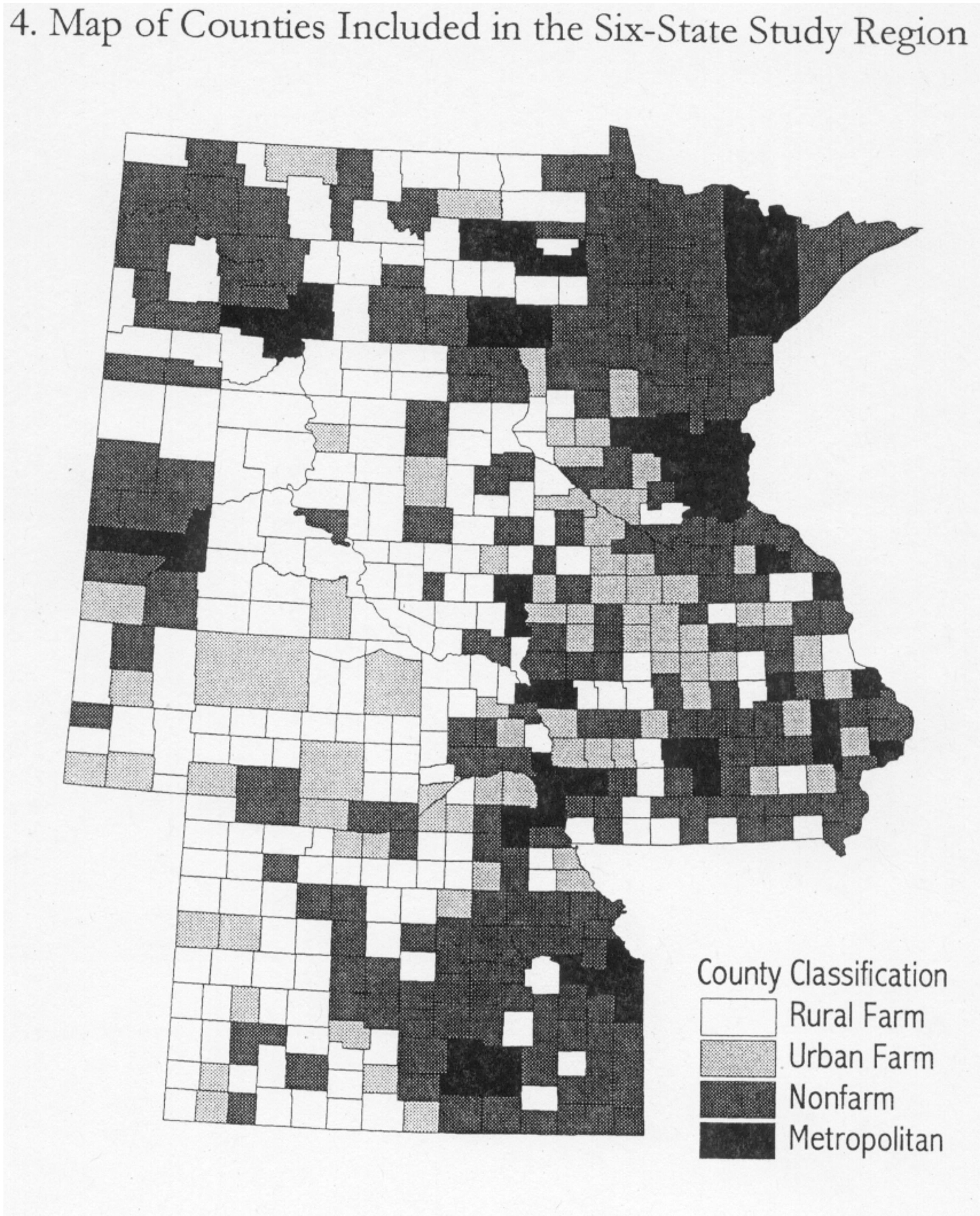
Table 2. County Classification Criteria

Category	Definition
Rural Farm	a weighted annual average of at least 20% of 1987-89 total labor and proprietor income from farming, and a 1990 urban population of less than 2,500.
Urban Farm	a weighted annual average of at least 20% of 1987-89 total labor and proprietor income from farming, and a 1990 urban population of 2,500 to 19,999.
Nonfarm	non-metropolitan county with a weighted annual average of less than 20% of 1987-89 total labor and proprietor income from farming.
Metro	designated as part of a Metropolitan Statistical Area (MSA) based on the 1990 Census.

Table 3 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 agricultural. Over half of the counties of the region are agricultural (52 percent); these counties are home to 14 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 3. Distribution of North Central Farm Region Counties and Population by County Type

	Counties		1997 Population	
	Number	**Percent**	**Number**	**Percent**
Rural Farm	185	37%	882,538	7%
Urban Farm	76	15%	902,031	7%
Nonfarm	192	38%	4,012,971	30%
Metro	50	10%	7,381,364	56%
Total	503	100%	13,178,904	100%


4. Map of Counties Included in the Six-State Study Region
County Classification
Rural Farm
Urban Farm
Nonfarm
Metropolitan

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 half of the counties in each state being classified as agricultural (rural farm or urban farm).[10] Conversely, Iowa, Kansas and Minnesota are more "urban non-agricultural" states, with only about 40 percent of the counties in each state classified as agricultural.[11]

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 6 percent between 1988 and 1997, a little more than half the nationwide increase of 10 percent. Nearly all of the region's growth came from metropolitan areas; rural farm counties in the region had a population loss of 5 percent, while metropolitan county population increased on average by 11 percent (see Figure 1).

Population declines were widespread among agricultural communities, with 85 percent of rural farm counties and 71 percent of urban farm counties losing population over the ten-year period. About half (47 percent) of nonfarm counties lost population, while only 10 percent of metropolitan counties saw population declines during the period.

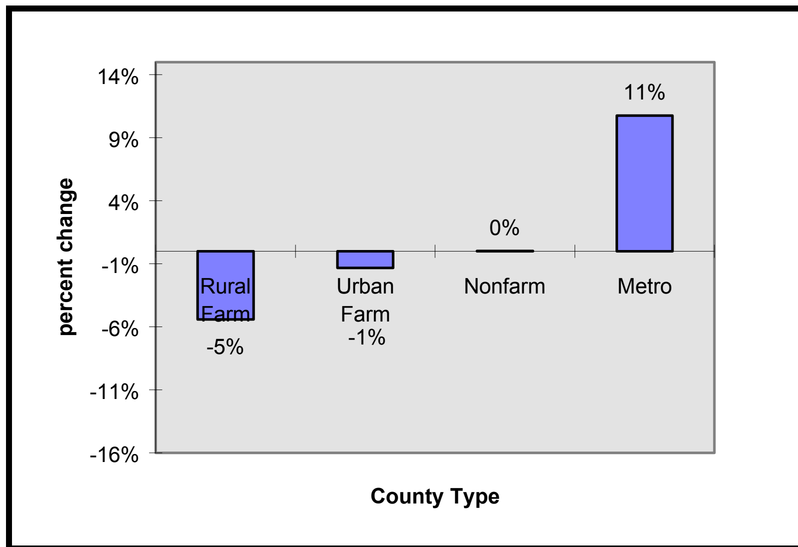


Figure 1. Population Change, 1988 to 1997

[10] Nebraska has 75 percent of its counties in these two classifications; South Dakota 74 percent; North Dakota 53 percent.
[11] In Kansas, 42 percent of counties are classified as either rural farm or urban farm; in Iowa, 41 percent are so classified; in Minnesota, 33 percent.

POVERTY AND INCOME

There is less poverty overall in the region than nationwide. The regional poverty rate of 10 percent is only 72 percent of the national rate.[12] However, when the regional poverty rate is broken down by county type, evidence of a two-tiered economy begins to emerge. Rural farm counties have substantially higher poverty rates than any other type of county. At 14 percent, the rural farm county poverty rate is equivalent to the national rate and exceeds the regional metropolitan rate by more than 50 percent. The child poverty rate is even higher – 18 percent in rural farm counties compared to 12 percent in metropolitan counties. Figure 2 outlines the poverty rates for each of the county types in the region.

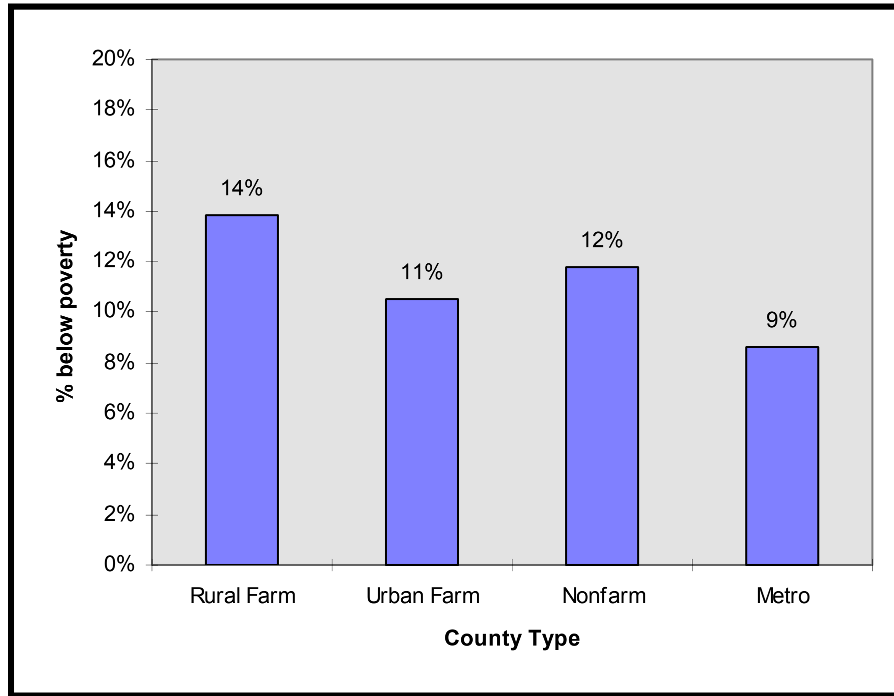


Figure 2. Average Poverty Rates, 1995

It is important to note 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 1990 Census indicate that, on average, more than one-third of households in rural farm counties had 1989 incomes below $15,000; less than one in ten households in rural farm counties had incomes of $50,000 or more. By contrast, the income distribution in metropolitan counties was more balanced, with about two in ten households at both the low and high ends of the income scale. Figure 3 outlines the income distribution for households in each of the county types of the region.

[12] The national poverty rate in 1995 was about 14 percent.

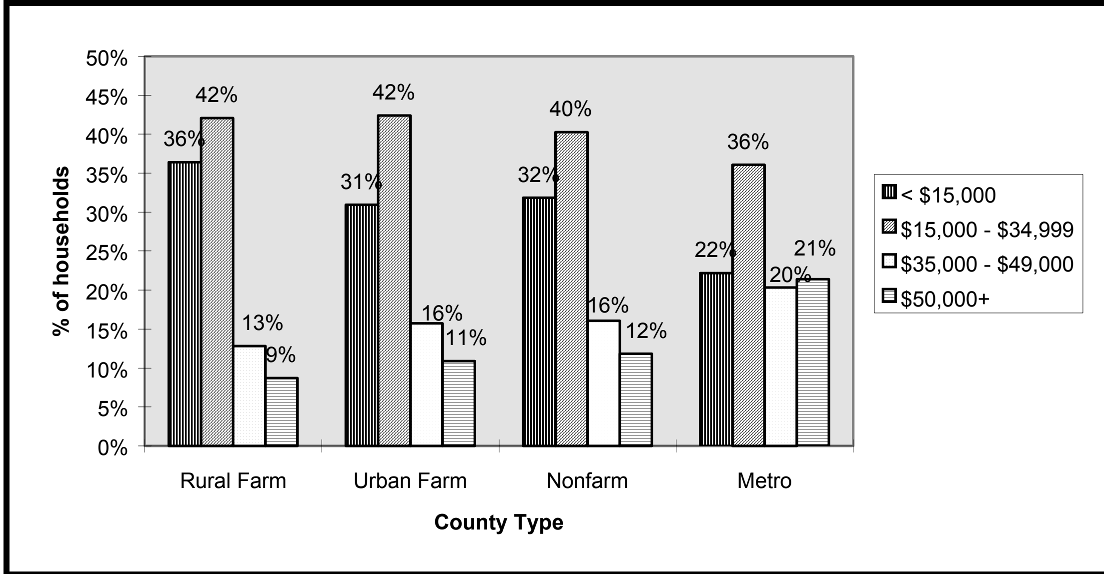


Figure 3. Household Income Distribution, 1989

The poor economic status of agricultural communities persisted throughout the years 1988 to 1997 even though that time period fell mostly between the 1980s farm crisis years and the current farm crisis. Annual per capita income for 1988 to 1997 is lowest for rural farm counties, averaging 83 percent of metropolitan county income (see Figure 4). Per capita income is higher in urban farm counties than in rural farm counties, but still 10 percent below the metropolitan county average. 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 78 percent in South Dakota to a high of 85 percent in Nebraska.

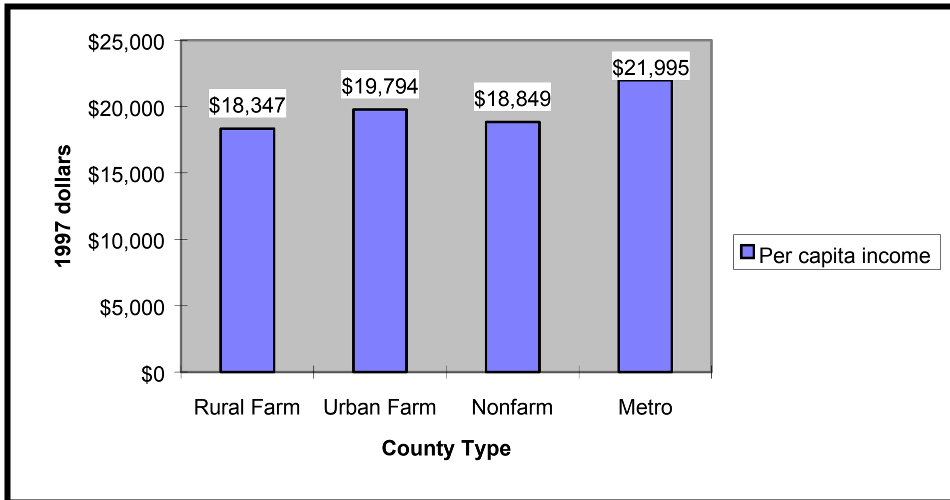


Figure 4. Annual Average Per Capita Income, 1988 to 1997

When only earned income is considered, the income gap for rural farm counties is even greater. Average annual per capita earned income for 1988 to 1997 is lowest in rural farm counties, averaging only two-thirds the level for metropolitan counties. Earned income in urban farm

counties also falls below nonfarm counties, and is about 80 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 1988 to 1997 period; in comparison, unearned income in metropolitan counties represents only one-third of annual average per capita income.

This suggests that as the public funds devoted to income support programs are lessened and as those who depend upon programs such as Social Security move to larger communities or die, the income disparity between rural and urban communities has the potential to widen. Figure 5 below outlines the per capita earnings levels for each of the county types in the region.

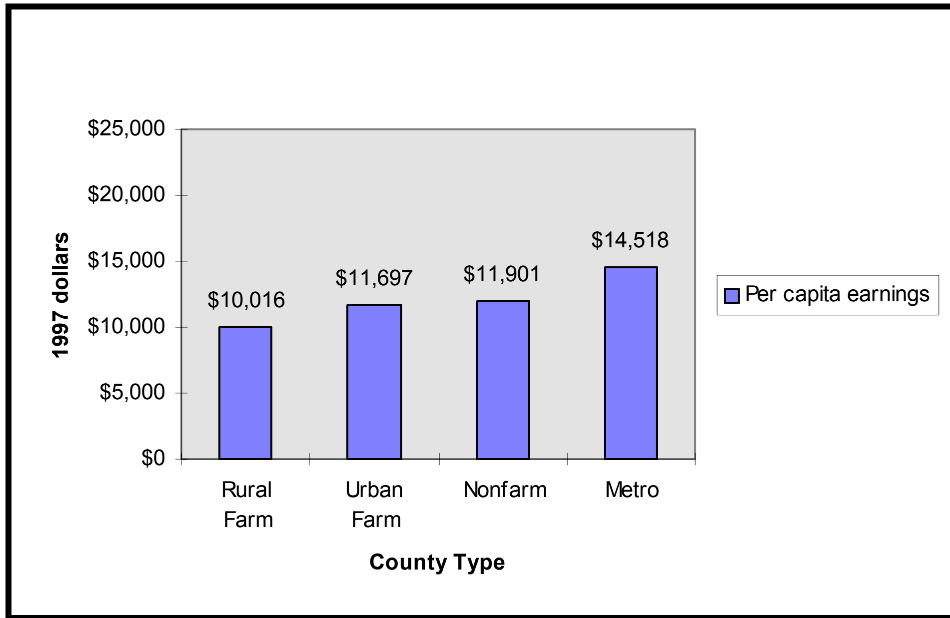


Figure 5. Annual Average Per Capita Earnings, 1988 to 1997

Annual per capita earnings for each year from 1988 to 1997 indicate that the disparity between agricultural communities and other counties is longstanding (see Figure 6). The findings of *Half A Glass of Water* 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 there is more volatility in the earnings level of farm counties, likely due in great measure to the erratic performance of the agriculture sector during the 1988 to 1997 period. It is interesting to note, however, that 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 sharply during the period without leaving the bottom tier.

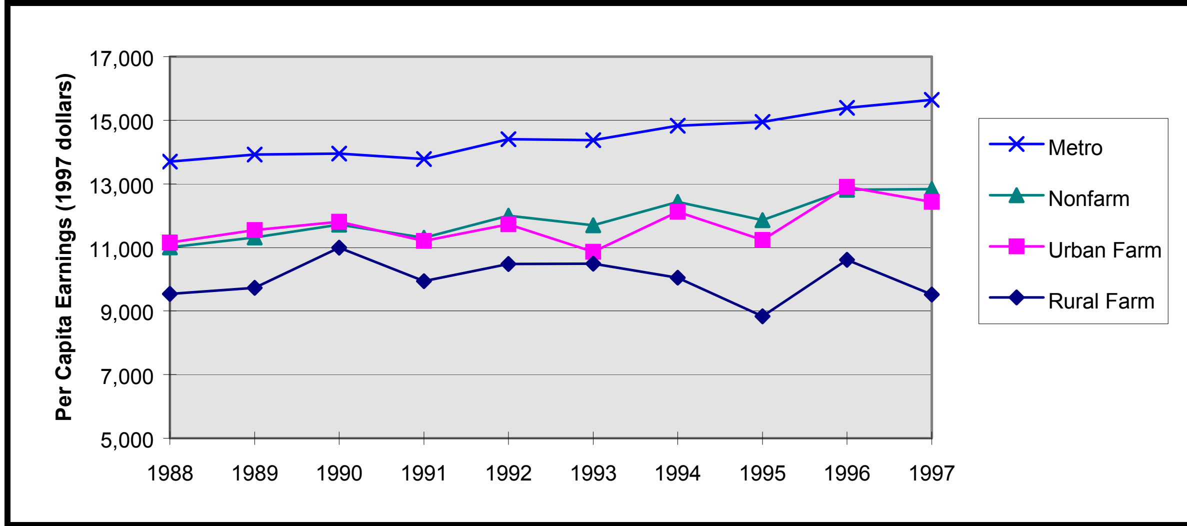


Figure 6. Per Capita Earnings, 1988 to 1997

This disparity between rural and urban areas 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 that are the subject of this study did not fare well. In the 1998 index, five of the six states were in the bottom third of the CFED "Rural/Urban Disparity" index, showing above average disparity. The states and their ranks are: North Dakota (27), Kansas (33), Iowa (34), Minnesota (38), Nebraska (41) and South Dakota (44).[13]

JOBS AND EMPLOYMENT

A distinctive characteristic of employment in agricultural communities is the relatively high level of self-employment. An obvious factor is that farm and ranch owner-operators account for 86 percent of farm employment in the region, and for one out of every five jobs in rural farm counties. Less obviously, nonfarm self-employment rates are much higher in agricultural communities than elsewhere in the region: nonfarm proprietors comprise a larger portion of total jobs and a much larger portion of nonfarm jobs in farm counties than in other counties. Figure 7 outlines the distribution of jobs in each of the county types in the region.

The data outlined in Figure 7 also show that while the economies of farm counties are based in large measure on agriculture, farm and ranch employment is not dominant. In rural farm counties, 74 percent of jobs are nonfarm jobs; in urban farm counties, 84 percent of jobs are nonfarm. While many of these jobs are dependent directly or indirectly on the performance of the agricultural sector, it is important to note that the economies of agricultural communities are

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[13] *1998 Development Report Card for the States*, Corporation for Economic Development, Washington, DC (September 1999).

becoming more diverse and that policy responses should reflect both agricultural and nonagricultural economies.

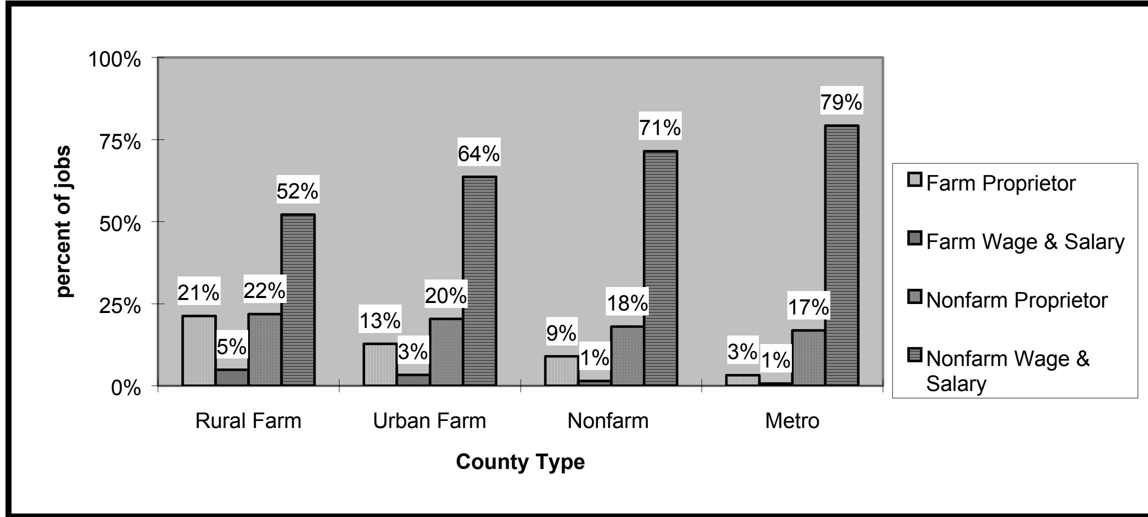

Figure 7. Distribution of 1997 Jobs by Place of Work

The prominent role of nonfarm self-employment in agricultural communities reflects not only a strong level of entrepreneurship, but also the weak growth of wage and salary employment in those communities. This characteristic is shown clearly in the 1988 to 1997 job growth rates for farm and nonfarm proprietor and wage and salary jobs by place of work as shown in Figure 8.[14]

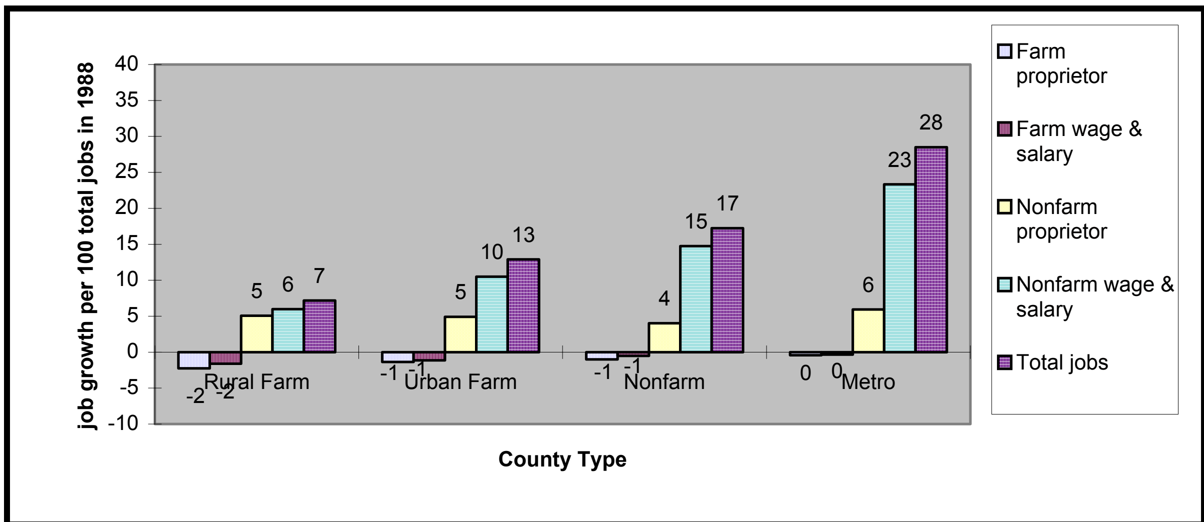

Figure 8. Job Growth Rates, 1988 to 1997

[14] 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 1988 and multiplying the result by 100. The growth rate calculated for total jobs reflects the percentage growth in the number of jobs.

There are three trends of note in job growth patterns from 1988 to 1997. First, there has been a strong decline in farm employment in farm counties. Although the percentage decline in farm employment is similar across county types (about 9 percent of farm proprietors and 25 percent of farm wage and salary jobs), the impact on total jobs is obviously greater where farming is more predominant.

Second, nonfarm self-employment growth is strong in agricultural communities. Despite population decline, farm counties gained 5 additional nonfarm proprietors by 1997 per 100 total jobs in 1988. Metropolitan counties, which averaged a strong 11 percent population growth during this period, had a nonfarm proprietor growth rate of 6 per 100 total jobs. Therefore, counties that lost significant amounts of their population created nonfarm self-employment jobs at nearly the same rate as did counties that experienced rapid population growth. Nonfarm self-employment was significantly greater in some states of the region (Nebraska, for example) than in other states; this trend is discussed in the state Appendices.

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

Overall, jobs in rural farm counties grew by seven percent, one-fourth the rate for metropolitan counties. Job growth was stronger in urban farm counties, but still 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, it must be noted that jobs are not workers: both full-time and part-time jobs are counted and many workers in rural and agricultural communities hold multiple jobs.

The region as a whole had a 20 percent job growth rate, while the population grew by only six 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 increases in multiple job holding.

SUMMARY

The relative economic status of agricultural communities in the region has not improved in the past decade. During the period 1988 to 1997, 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 60 percent higher, per capita incomes that are 17 percent lower, and job growth rates that are 75 percent lower. It is clear that a two-tiered economy still exists in the region: an urban and metropolitan economy that reflects the national economy, prosperous and growing; a rural, agricultural economy that is suffering and contracting.

These hard economic conditions are not new for farm counties. In fact, as general trends, they were also reflected in *Half A Glass of Water*. Together, these studies provide evidence of disparate

economies in the region for nearly an entire generation. The economic conditions of agricultural communities in the region also do not reflect the broad economic impact of a farm crisis. They are longstanding, chronic conditions that national and state policies have barely recognized or addressed.

In spite of their hardships, small agricultural 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.

PART II.

POLICY IMPLICATIONS AND RECOMMENDATIONS

This report has described the economic conditions of small agricultural communities in six North Central states at the end of the 20th century. The report also shows that in the nearly 10 years since the Center for Rural Affairs released its previous reports mentioned here, little has changed in the economic status of these rural communities. This suggests that one or both of the following scenarios exist – either development policy has not worked, or public policy has neglected these communities during a period of unprecedented economic growth in most other communities of the region and the nation.

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 for pubic policy that are derived from our work in the small agricultural communities in this region and from the data presented in this report. We hope these recommendations spark a meaningful discussion over the future of small agricultural communities in the 21st century.

A. The Area as a Region

The earlier studies of this region found that the small agricultural communities of these states constituted a "region" in the truest sense of the term because they shared several defining characteristics. The same characteristics exist over a decade later. In an era of increasing economic diversity, where local, national and international economies are linked together by breathtakingly fast technology, the small agricultural communities of these states are quite distinct from the rest of the region. In three critical areas, the farm-based counties we have analyzed have much in common:

◆ They share a dependence upon one sector of the economy – agriculture – that is 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 and the national economy.

◆ 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 even more of a challenge.

We identified 185 counties throughout this six-state region as "Rural Farm" – small in population with an agricultural based economy, and 261 counties of the 503 in the region as agriculturally based. These counties are of greatest concern to us and will be the subject of most of our policy recommendations. "Rural farm" counties constitute 37 percent of the region's counties and 7 percent of its population.

The "rural farm" counties of the region are of the most concern to us precisely because of this 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.

This is not to say that other agricultural counties are not important or deserving of attention. They are, particularly those 76 counties we have identified as "Urban Farm" using the USDA phraseology. Though larger in population, they are still agricultural, and occupy a necessary place in rural economies. These counties contain the small- and mid-size towns and trade centers where farmers and ranchers conduct business; often they have a symbiotic relationship with "rural farm" counties forged by common economic destinies. Though their population may provide challenges different from smaller counties, in every sense of the term these urban farm counties are rural. As such, many of our recommendations will address these counties as well.

Taken together, the two groups of agricultural counties make up 52 percent of the counties in the region and 14 percent of the population; with nearly 1.8 million people, these communities represent a small but significant minority.[15] The preceding section of this report has identified the following economic characteristics that distinguish agricultural communities, especially rural farm counties, from other counties in the region:

- **Population Decline.** Both of the two classifications of agriculturally based counties lost population from 1988 to 1997. Conversely, the region gained 6 percent in population during that period, with all the population gain in the 50 metropolitan counties of the region. Population decline was most acute in the smallest counties of the region, which lost 5 percent of their population during the period.

- **Greater Poverty.** The proportion of people living below the poverty level in the smallest agriculturally based counties is nearly 60 percent greater than in metropolitan counties (14 percent vs. 9 percent). Child poverty in the smallest agriculturally based counties is 50 percent greater than in metropolitan counties (18 percent vs. 12 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-third of households in agriculturally based counties have annual income less than $15,000 (38 percent in rural farm counties, 31 percent in urban farm counties). About one in five metropolitan households have such low household incomes. Meanwhile, over 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

[15] For example, in Nebraska over 23 percent of the state's residents live in either rural farm or urban farm counties. In South Dakota, 30 percent of the state's residents live in such counties. Figures based on county population estimates for July 1, 1998, U.S. Bureau of the Census.

counties is 83 percent of that in metropolitan counties. The gap increases when only earned income is considered. Annual per capita earnings in rural farm counties is about two-thirds of that in metropolitan counties; for the larger agriculturally based counties, earnings are 80 percent of those in metropolitan counties.

- **Reliance on Unearned Income.** Agriculturally based counties have a significant dependence upon unearned income. 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.** Despite volatility in the agricultural sector of the economy, we found that earnings in agriculturally based counties were persistently low. In every year from 1988 to 1997, earnings in rural farm and urban farm counties significantly trailed those of other classifications of counties. Agriculturally based counties also did not follow the trend of steady upward earnings found in metropolitan and nonfarm counties. Importantly, these figures represent a period of time between the farm crisis of the 1980s and the current farm crisis.

- **Entrepreneurial Character.** We found agriculturally based counties to be extraordinarily entrepreneurial in character. In rural farm counties, 43 percent of the jobs are proprietorships (33 percent in urban farm counties; only 20 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 nearly the same rate in those counties as in metropolitan counties.

An important caveat is in order. Even though a majority of the counties in the region are classified as "agriculturally based," they are not populated solely by farmers and ranchers. In fact, only about 20 percent of the jobs in these counties are agriculture in nature (whether proprietorships or wage and salary). Despite the fact that the economies of these counties are largely built upon agriculture, nearly 80 percent of their residents possess non-agricultural employment.

The following characterization of agricultural communities presented in *Half A Glass of Water* is just as valid today as it was in 1990:

> They (small agricultural communities) are substantial communities with strong traditions and values, and they suffer from the same development problems. But it is important to recognize that those problems are fundamentally different from the problems of the urban communities and trade centers in these states. Like Appalachia, they constitute a region in distress, but one with unique and important characteristics. They are a resource these states share, but one that presents a special challenge and a special opportunity to the states.

With that challenge before us, what can be done to relieve the distress of these communities?

B. Policy Recommendations

I. Development Philosophy

Recommendation Number 1: States should develop a comprehensive development policy for rural and agricultural communities.

Rural communities are not well served by the paradigm of competition that dominates traditional economic development policy. This is particularly true for the agricultural communities discussed in this report that often lack the critical mass of people or infrastructure needed 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 essentially 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. Agricultural 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 that there are numerous development strategies and that only cooperation and collaboration can determine which ones are best for individual communities.

A model of rural development based upon cooperation must be built on three core principles: regional collaboration, a philosophy of sustaining agricultural communities, and research.

Regional Collaboration

As discussed above, the agricultural communities of this region have much in common and, to a large degree, state boundaries are irrelevant to those common characteristics. States, therefore, should provide leadership and support to the efforts of organizations and entities that seek to develop a common response and a common policy toward agricultural communities.

Regional collaboration should also be the preference of development policies within states. Nebraska, for example, recognized this in its "Partners for Economic Development" program, a competitive grant program for economic development projects. This program required projects to be in a multi-community or multi-county area and required collaborative activities within the project region. Unfortunately, this program was sunsetted in 1999. It is important for states to explore ways to enhance collaboration through their development policy.

Philosophy of Sustaining

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

Research

Regional collaboration and a new paradigm of development for agricultural communities will require capacity to undertake policy research on their behalf. In the course of preparing this report, we found a concern among economic development practitioners and residents of agricultural communities that there is insufficient knowledge and research as to what development strategies actually work in these communities. For the future of these communities, that must change.

As in the previous studies, we have been introduced by our work to a number of committed and qualified researchers in each of these states who are concerned about the economic and social issues of agricultural communities. However, many of these people are constrained by funding, bureaucratic lines, academic disciplinary boundaries, and state borders.

We encourage states to provide the funds, support and leadership necessary to create more interstate forums for these issues and to adopt a mandate to address the research needs and questions of these communities. We encourage the states to create a legitimate, multi-disciplinary and sufficiently and cooperatively funded research consortia focused solely on the issues of agricultural communities in this six-state region.

II. Agricultural Reform and Economic Development

Agriculture has developed in a way that damages the rural communities that were developed to support it. The result of farm size expansion has been increased product output but fewer people on the land. As was found 10 years ago, 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 counties depends not only upon the number of people on the land, but also on the amount of money they can derive from farming or ranching. 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 agricultural 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.

One chief reason for the constricted rural middle class is the decrease in the food system profit. While the farm and ranch share of the food system profit has declined, the profit share captured

by farm input, food processing and product marketing companies continues to grow. At current trends, it is estimated the farm and ranch share of the food system profit will reach zero by 2020.[16] Unless that trend is reversed, or at least slowed, nothing else that is done to maintain family farms and ranches or the rural communities that support them will much matter.

The declining farm and ranch share of the food system profit reflects choices in technology, markets and policy. Most attributes that make products unique and add to their sales price are not generally added on the farm or ranch, but in the plants of food processing corporations or in the high-rise offices of marketing and advertising firms. Agribusiness corporations and their support entities have been strategic in shaping technologies, products and markets to their profit advantage. If rural agricultural communities are to survive, initiatives must be undertaken that allow farmers and ranchers to do the same.

Declining farm incomes also reflect choices and priorities in agricultural research. Agricultural research has focused on developing expensive new technologies to sell to farmers and ranchers, enabling agribusiness input companies to increase their share of the food system profit. Largely overlooked have been opportunities to develop new knowledge and production systems that enable farmers and ranchers to use their management and skills to reduce the need for purchased inputs or to produce products of higher value.

As discussed above, rural communities are often at a comparative disadvantage in terms of traditional economic development because they lack the population, infrastructure and location advantage to attract industry and business. But these communities do have a significant economic resource to offer in their agricultural resource base. The challenge facing these communities, therefore, is to protect that resource base for future generations while using it to create quality economic opportunities. To do so, agricultural research and development must be shaped to address these issues in a manner that enhances rural society.

Recommendation Number 2: Create a federal farm and ranch income initiative.

The next Farm Bill, or an annual agricultural appropriations bill, should create a Family Farm and Ranch Retooling Initiative, that will seek to raise income from farming and ranching through increasing the farm and ranch share of the food system profit. This initiative would provide competitive funding for activities that increase the farm and ranch share of the food system profit while also enhancing environmental stewardship and consumer choice.

A portion of the funds in this initiative would be focused on research to develop new knowledge and production systems that enable farmers and ranchers to use their management skills to increase their share of the food system profit by cutting input and capital costs, or by producing higher valued products. An example is research for raising hogs in "hoop houses." Originally of Canadian origin, a hoop house is a low-cost, economically efficient housing design for hogs that also provides environmental benefits. The system requires increased management, but reduces capital requirements to 40 percent of total confinement production systems.

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[16] Smith, Stewart, *Farming: It's Declining in the U.S.,* Choices, First Quarter, 1992 (American Association of Agricultural Economics).

While total costs of the two production systems are comparable, there is a crucial economic difference. When a hoop house raised hog is sold, less of the check goes to pay a note for a building, and more remains with the farmer as reimbursement for management and skill. There are also environmental benefits. Because hoop houses are efficient on a small scale they allow for wider dispersion of hogs and their manure. Because hoop houses allow for less concentration of hogs, thus avoiding the tendency to concentrate more manure in a small area, the threat of water contamination and excess nutrient concentrations is decreased. It is more feasible to widely disperse manure, thus allowing it to be used as a soil building resource rather than a pollutant threat.

The Family Farm and Ranch Retooling Initiative should also fund new market development activities. As consumer markets are becoming more segmented, many consumers are willing to pay a premium or adjust shopping patterns, especially for food products that have the unique attributes they desire that are produced in a manner they support. This presents an opportunity for farmers and ranchers to produce food in ways that enhance its value before it leaves the farm or ranch simply by the way it is raised. This federal initiative would provide funding for feasibility studies, cooperative development, consumer research and other up-front costs of establishing these new high value markets.

Recommendation Number 3: States should become players in agricultural policy by creating state initiatives to increase farm and ranch income.

Generally, state Departments of Agriculture in this six-state region have not been policy-oriented. They have generally been charged with regulatory (e.g., certifying scales and elevators) and promotional duties. The exceptions appear to be Iowa and North Dakota, which have elected heads of their Departments of Agriculture and thus have a greater policy focus.

However, as farmers and ranchers face another series of low prices and trade wars, state agencies and state legislators have grown increasingly aware of a state role in agricultural policy. The best example of this came during the 1999 legislative session when Nebraska, South Dakota, Iowa, Kansas and Minnesota enacted or considered livestock price reporting or price discrimination legislation. This activity, that eventually resulted in federal legislation, has emboldened state legislatures and state agencies to find ways in which they can contribute to agricultural policy.

One contribution to this trend would be a state initiative similar to the federal Family Farm and Ranch Retooling Initiative described above. States are in a unique position to provide funds for research and other projects that meet the particular circumstances of their farmers and ranchers.

An example of such a program is Iowa's REVAMP (Rural Economic Value-Added Mentoring Program). This program provides up to $25,000 in financial assistance to qualified applicants for business planning and technical assistance for value-added activities involving agricultural commodities produced in Iowa. A weakness of REVAMP is that the value-added businesses eligible for assistance are not those geared to increasing the farmer or rancher share of the food system profit. For the long-term survival of rural agricultural communities, this must always be the focus of any state program. REVAMP is notable in that it provides a model of state action to provide the necessary start-up costs for agricultural businesses.

In the same vein, in 1999 the Minnesota Legislature appropriated nearly $10 million for a new marketing fund for agricultural products, to encourage farmer-owned cooperatives, for market development, and for sustainable and organic agriculture development. Another long-term example of a state effort for agricultural development is North Dakota's Marketplace of Ideas. Held annually since 1989, the Marketplace "seeks to empower individuals and communities to pursue their individual economic development visions by providing information, ideas, and assistance."

Recommendation Number 4: States should become leaders in developing and supporting a new generation of agriculture.

As traditional agriculture becomes larger and more industrial, the rationale for many small, rural communities is undermined.[17] 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.

State efforts to support this type of agriculture exist, but appear to be spotty and fragmented. There is neither adequate investment (private or public) nor a systematic strategy to support this development option in any state. Certain states in the region have made strides, or are beginning to realize the value in supporting new generation agriculture. For example:

- Minnesota's legislature has provided some funds for cooperative development and sustainable and organic agriculture development. Since its inception in 1997, the Minnesota Value-Added Agricultural Cooperative Grant Program, administered by the Minnesota Department of Agriculture, has awarded more than $295,000 to 15 cooperatives for market research, feasibility studies, product development and business plan development.
- Nebraska has recently formed the Nebraska Cooperative Development Center, a partnership of groups supporting new generation agriculture principles through the development of cooperatives.
- In 1998, the Iowa Legislature created the Iowa Agricultural Finance Corporation (IAFC). The IAFC was designed as an independent, privately managed investment corporation to receive a $25 million state-authorized long-term loan. The purpose behind IAFC is to create opportunities for producer ownership of value-added agricultural processing of commodities grown or raised in Iowa. While IAFC was originally created to boost the investment of small- and moderate-sized farmers in value-added enterprises, its mission appears to have shifted based on investments by large agribusiness firms. However, the original mission may be a model for other states.
- North Dakota has long been the "cradle of cooperatives," with public and private support for the development of agricultural cooperatives.

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[17] The inspiration for much of this section comes from Don Macke, former Executive Director of the Nebraska Rural Development Commission, and their report *Determining the Future of Rural Nebraska* (1999).

While we do not in this study evaluate the effectiveness of these state programs, they do provide models other states in the region could seek to emulate.

States can also provide incentives for private investment in this development option. In 1999, the Missouri Legislature enacted a state income tax credit for investments in "new generation" agricultural cooperatives, a type of cooperative that has as a principal goal to increase the farmer or rancher share of the food system profit.

For too long state governments have abdicated their public policy role in agriculture to federal and international policymakers, leading to disastrous consequences for rural agricultural communities. Since the mid-1970s, incomes and populations of the rural agricultural counties of the region have plummeted and stayed down. States need to become more creative and involved in this form of agricultural development. It provides an option for more families to remain on the land, to increase their incomes, and to support the business, social and educational institutions of their community.

Recommendation Number 5: Cultivate a new generation of farmers and ranchers.

A new generation of family farmers and ranchers is crucial to the survival of rural agricultural communities. One of the quietest, though most crucial long-term issues in American agriculture today is the potential loss of a generation of farmers and ranchers and the aging of existing farmers and ranchers.

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 are those 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.[18]

While most states in the region had marginally higher numbers of young farmers and ranchers than the national figure, these states are losing young farmers and ranchers in larger numbers. Nebraska, for example, witnessed a decline of nearly 30 percent of farmers and ranchers under 25 and nearly 40 percent of farmers and ranchers between 25 and 34. These figures become even starker when one looks at the actual number of farmers and ranchers in a state. In Nebraska, there are only 976 farmers and ranchers 25 or younger. It is clear that 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.

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

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 by their parents. So, the recommendations outlined above, as means 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 production agriculture. The cost of production assets – land and machinery – is prohibitive without familial support or exceedingly deep pockets. 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.

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. South Dakota provides a property tax "freeze" for any agricultural property owned and operated by a beginning farmer.[19] North Dakota provides a state income tax exemption for any income realized by an existing farmer or rancher who enters into a lease arrangement with a beginning farmer or rancher.[20]

In its 1999 session, the Nebraska Legislature adopted the "Beginning Farmer Tax Credit Act," which provides a five percent refundable state income tax credit to a farmer or rancher who enters into a lease arrangement with a beginning farmer or rancher.[21] Such initiatives provide two socially beneficial results, particularly for agricultural communities. First, they provide relatively easy access to agricultural assets for those who wish to enter farming and ranching but who find the entry fee prohibitive.[22] Second, they provide an incentive to those farmers or ranchers retiring or leaving business to provide use of agricultural assets to a beginning family farmer or rancher rather than simply providing more fodder for increased concentration of agricultural operations.

Other states and the federal government should consider initiatives such as these to cultivate a new generation of farmers and ranchers.

Recommendation Number 6: Federal agricultural programs should be better targeted to small- and moderate-size farmers and ranchers.

Federal agricultural programs are subsidizing the destruction of the family farm and ranch. These programs essentially follow a policy that provides more federal money as a farm grows

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[19] South Dakota Codified Laws, Section 10-6-31.5

[20] North Dakota Century Code, Section 57-38-69. North Dakota also provides an income tax deduction for the sale of any agricultural land to a beginning farmer (Section 57-38-68).

[21] Nebraska Revised Statutes Supplement, 1998, Section 77-2715.07.

[22] Ultimately, these initiatives seek to increase the number of farmers and ranchers on the land. Because of the relative newness of these initiatives, their effectiveness is still an open question. The North Dakota law, however, does provide some answers. While still seeing the percentage of young farmers and ranchers decrease, North Dakota witnessed a smaller decline from 1992 to 1997 than states such as Nebraska. It is difficult to separate out the reasons, but the major policy difference was the existence of state laws providing incentives to sell or lease assets to beginning farmers or ranchers.

larger. Consequently, federal policy is subsidizing very large operations to bid land away from small- and moderate-size farmers and driving up cash rents for agricultural land to levels that make it difficult, if not impossible, for small- and moderate-size farmers to make a living. The natural result is fewer people on the land, depopulation in rural communities and fewer economic opportunities in rural communities. Federal agricultural policy is on the path of creating a landed elite in rural communities while eliminating the rural middle class.

By helping to destroy small- and moderate-size farmers and ranchers, federal agricultural policy is also serving to destroy the economies of rural communities. Research suggests that many agricultural communities would be economically better off by encouraging family-scale farming and ranching than in attempting to attract outside industry. In addition, family-scale agriculture provides greater economic benefits to communities than does large-scale production.

Dr. Larry Swain of the Rural Development Institute at the University of Wisconsin-River Falls has found that a moderate-size farm (gross income of $200,000) is worth $720,000 to a community in economic and purchasing power. This economic value is the equivalent of eight $40,000 nonfarm incomes. An analysis of data from Iowa State University also shows that numerous small farms create more jobs, more employee income and more public revenue than does one large entity of equal production.[23]

To encourage greater economic opportunity in rural communities, federal agricultural programs should be better targeted to small- and moderate-size farmers and ranchers. Better targeting will serve the common good by allowing small- and moderate-size farmers and ranchers to remain on the land. Federal agricultural programs that better serve small- and moderate-size farmers and ranchers will reduce the pressure on land rents and purchase prices by better allowing smaller operations to compete for land with larger operations. Program and payment biases in favor of the largest operations result in such pressures that work to the detriment of smaller operations.

By removing or mitigating those biases, federal agricultural programs can serve as a force for good in rural communities by providing an environment where private land holdings, either through ownership or tenancy, can be more widely held. The well-being of nonfarm rural businesses and rural communities will be enhanced by government action that does not subsidize the consolidation of agriculture.

Some argue that targeting measures unfairly penalize success. Such an argument misses the point. It is not punitive to put limits on government assistance when public funds are limited. The point is that government should take steps to provide genuine opportunity for all. Government should not take tax dollars from modest-income Americans to help the wealthy become wealthier.

Recommendation Number 7: Integrate Conservation Programs with Community Development Efforts.

One of the blessings of the region is its abundant and fruitful natural resource base. For that

[23] *Searching for "Sound Science": A Critique of Three University Studies on the Economic Impacts of Large-Scale Hog Operations,* Nancy L. Thompson and Dr. Loren Haskins, Center for Rural Affairs, January 1998.

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.

Each of these proposals uses programs to accomplish multiple goals and uses while advancing conservation and environmental concerns. They also recognize the economic opportunities in the region's natural resources, one resource that will remain abundant. To accomplish this, we propose:

- Bonus payments through the Conservation Reserve Program, the Wetlands Reserve and other conservation programs for landowners who provide public access to enrolled lands. Rural communities with natural amenities are among the fastest growing rural areas in the nation. Between 1990 and 1998, 99 percent of rural counties in the nation classified as "retirement counties" gained population, and 90 percent of rural counties classified as "recreational counties" gained population.[24] Agricultural communities of the Great Plains can join this trend by offering public access to restored natural spaces.

- Provide for sustainable economic uses of land enrolled in conservation programs to enhance their income generating potential. Such uses include recreation, bio-energy, and limited grazing. Such uses must be subject to rules that ensure that conservation objectives are not unduly compromised.

- Structure conservation programs to support the establishment of new resource stewards, beginning farmers and ranchers with a commitment to environmental stewardship. Conservation programs could provide incentive payments for a decade of environmental protection in a single, up-front payment to a beginning farmer or rancher. This provides capital during the critical formation period in return for a legally binding commitment to adopt and carry through on valuable conservation practices. Such an initiative would provide much needed capital to the beginning farmer or rancher, would provide an economic resource to the community, and would provide protection and stewardship to natural resources.

III. Business Development

Recommendation Number 8: Increased support, particularly by states, of microenterprise and small business development.

Small businesses and self-employment play a crucial role in the economies of agricultural communities. The data presented herein show that nonfarm proprietorships account for 22

[24] Johnson, Kenneth M., *The Rural Rebound*, Population Reference Bureau, August 1999.

percent of jobs in rural farm counties, the highest of any type of county. More importantly, this is where the job growth is in agricultural communities. Despite declines in population, agricultural counties witnessed job growth in nonfarm proprietorships nearly equal to metropolitan counties (see Figure 8, p. 16).

This job growth trend is even more striking if one looks at individual states, particularly the three most rural states of the region – Nebraska, North Dakota and South Dakota. In North Dakota, nonfarm self-employment grew at a faster rate in agricultural counties than in nonfarm or metropolitan counties. In North Dakota's agricultural counties, there would have been no job growth or negative growth if not for the growth in nonfarm self-employment. The same holds true of Nebraska. All the job growth from 1988 to 1997 came from the nonfarm sector, with self-employment accounting for 73 percent of that growth in rural farm counties; farm sector employment declined during that period. Though less pronounced in South Dakota, nonfarm self-employment still accounts for 40 percent of the net job growth in agricultural counties.

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.

Despite the evidence that self-employment and microenterprises (five or fewer employees) are the type of jobs that exist and are growing in agricultural communities, states in the region do little to develop them. Nebraska provides $250,000 annually in state funds to its Microenterprise Partnership Fund, while in 1999 Minnesota provided $500,000 to the Minnesota Department of Trade and Economic Development for microenterprise development in both urban and rural areas of the state. The Iowa Legislature appropriates $100,000 annually for microenterprise development in the state.

Meanwhile, state governments spend billions in direct public funds and tax abatements to recruit and expand businesses and create jobs in metropolitan areas. Clearly, public support of particular development strategies is skewed and its focus must be changed for the long-term viability of agricultural communities.

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."[25] She concludes that though these businesses are small and may take time to develop, they "should be perceived as resources and nurtured."[26]

These small businesses are the engine of rural economies, but they are not performing at peak capacity because states have failed to view them as a resource that needs nurturing. Instead,

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

states are too often caught up in the "glamorous" (and highly competitive) development strategy of big business industrial recruitment.

Recommendation Number 9: Provide Incentives for Private Investment.

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 dependent 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. This strategy is undertaken as community economic development, but not all communities reap the benefits.[27] These incentives are particularly ill designed for rural communities. Requirements that businesses create a specific number of jobs, for example, ignore the economic realities of rural communities where small businesses, microenterprises and self-employment are the common business models. Business development and job creation incentives based on an industrial model are unlikely to work well (or at all) in agriculturally dependent communities.

It is clear, however, that private investment through business development and job creation is necessary in rural communities if the current economic gap is to be narrowed. As such, we recommend that states adopt business development and job creation incentives specifically targeted to rural areas. Further, these incentives must be at the scale that would benefit rural communities; they 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. There must be strong requirements that jobs created by those seeking the incentive must provide a livable wage. These incentive programs must have a focus of providing economic opportunity for rural residents, not a public subsidy for investors.

Second, these incentives should be structured so that they provide sustainable economic opportunity. Of course, no job or business can be guaranteed. However, the economic distress

[27] For example, Nebraska's major business incentive program – the Employment and Investment Growth Act – has provided little benefit to rural communities. Commonly known as LB 775, the program provides property tax credits for job creation and capital investment for businesses that open or expand in the state. Since its inception in 1988, only 8.2 percent of LB 775 investment and 4.6 percent of LB 775-related employment has occurred in cities or villages in Nebraska with less than 5,000 population or in unincorporated rural areas. These cities, villages and areas comprise 48 percent of Nebraska's population. *Business Tax Incentives: Do the Rich Get Richer?*, Ernest Goss and Joseph Phillips, Creighton University, 1995; Nebraska Department of Economic Development data used for subsequent years.

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.

An example of a state program that would allow for private investment on the scale appropriate for many rural communities is the Individual Development Account (IDA). IDAs are matched savings accounts, similar to 401(k) plans, which can be used to purchase homes, seek postsecondary education or capitalize small businesses. The promise that such vehicles of private investment hold for business development in rural communities is particularly intriguing.

IDAs are based on the theory of asset-building as a strategy for long-term economic well-being. Asset-building strategies state that greater income alone cannot lead to economic well-being for families. The theory also states that accumulation of assets leads to important psychological and social effects that cannot be achieved by simply increasing income. These effects are tied primarily to long-term individual, familial and community economic well-being.[28]

Congress has recognized the potential of IDAs by adopting the Assets for Independence Act in 1999. This law provides federal matching funds to states that adopt IDA legislation that also provides for a state match. As of December 1999, 27 states passed legislation that recognizes IDAs, and the federal government has authorized more than $125 million for IDAs. We would encourage each state of the region to adopt IDA legislation that provides for state matches to individual contributions, that accesses available federal funds and that allows IDAs to be used to capitalize small businesses.

To further ensure the long-term sustainability of economic opportunities in rural communities, state and federal governments should consider updating a page out of the region's history. The Homestead Act of 1862 provided land and economic opportunity to thousands of people and helped settle the Great Plains. A similar effort should be made in the 21st century to provide new economic opportunities.

While the 19th century Homestead Act was primarily a settlement tool with economic benefits, a 21st Century Homestead Act would be an economic opportunity tool. A 21st Century Homestead Act should provide significant incentives for the development of businesses or jobs to rural communities. The 21st Century Homestead Act should provide incentives for businesses of appropriate scale to rural communities and for jobs that provide livable wages and benefits.

Finally, states should provide incentives for the investment of individual capital into agricultural enterprises. The Missouri law cited above and passed in 1999 provides a state income tax credit for investments in "new generation" agricultural cooperatives, a type of cooperative that has as a principal goal to increase the farmer or rancher share of the food system profit. Other states should consider similar methods of providing capital for such efforts that would benefit farmers and ranchers.

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[28] Sherraden, Michael and Page-Adams, Deborah, *What We Know About the Effects of Asset Holding: Implications for Research on Asset-Based Anti-Poverty Initiatives*, Center for Social Development, Washington University, St. Louis, 1996.

Recommendation Number 10: Rural businesses must be assured access to electronic commerce technology.

The burgeoning use and availability of electronic commerce presents a new challenge to rural communities. As the barrier that distance once was to retail sales is torn down, rural businesses will face increased competition – both in terms of price and choice – from distant electronic suppliers. Rural businesses can address these challenges in a variety of ways that address, for example, quality, service and personal interaction. If electronic commerce becomes a major force in the future economy, rural areas face a greater challenge. As with many sectors of the economy, there is the danger that electronic commerce will become dominated by a handful of big companies with near-monopoly power to the detriment of rural areas.

While rural businesses will face increased competition for local sales from distant suppliers, rural businesses will have also increased access to markets and consumers that were previously unreachable. Electronic commerce will provide access to distant markets and consumers for farmers, ranchers and small businesses; a new model of commerce will allow them increased capacity to bypass middlemen and sell directly to consumers.

For rural businesses to benefit from these opportunities, individuals, communities and governments must ensure that rural areas and rural people are not trapped in a digital divide. We recommend that the following steps are necessary for rural areas of this region to benefit from electronic commerce:

- Governments must enforce anti-trust laws in the new economy so that access to electronic commerce does not become the domain of the few.
- Communities and governments must ensure that rural areas and rural people – whether they be businesses, students or consumers – have access to high-quality, high-speed and affordable internet and electronic communication technology.
- Governments, educational institutions and nonprofit organizations should provide training and technical assistance on doing business over the internet.
- State and federal rural development programs should provide funding for cooperative development and other local initiatives to access electronic commerce for local businesses.
- And, finally, individuals must prepare – both psychologically and through community infrastructure – for a fundamental reshaping of the economy in the coming years. They should not prepare in terms of preparing for a coming disaster, but in terms of new opportunities. Electronic commerce, unlike most other economic forces affecting rural areas, has the potential to connect nonrural people with the agricultural counties of this region in a positive, mutually beneficial way.

IV. Government Structure

Recommendation Number 11: States should strengthen programs aimed at improving the development capacity of rural 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 state or federal funds allocated on a competitive basis. Many rural communities lack the capacity to successfully draw upon either of these development sources. Assistance and training to communities to enhance their development capacity is absolutely necessary for the long-term economic survival of rural communities.

All the states in the region offer some form of development planning assistance to rural communities, either through centers in state universities, government agencies, or through community improvement competitions. From the economic data, however, these efforts, though laudable and good, are not enough. We repeat a recommendation made in *Half A Glass of Water* that the ability of rural communities to improve development capacity can be made through enhanced inter-local cooperation.

Many rural communities are in need of on-going professional planning and development assistance. 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. We recommend that models such as this should be cultivated and fostered through matching federal and state aid. 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 to make the interest of rural communities subservient to larger communities in the region or district. Therefore, we recommend that states deliberately create 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.

These "clusters" or regional organizations should be independent of the interests of larger communities that might dominate regional planning and development bodies. Nebraska, for example, has policy that allows communities to form inter-local agreements for development and planning purposes.[29] Nebraska's policy allows local governmental units to make the "most efficient use of their taxing authority and other powers" by allowing cooperation "to provide services and facilities" in a manner that meets the "needs and development of local communities."[30]

This model of local cooperation has not been used to its full potential. We recommend that local communities begin to explore its potential uses and that the state begins to provide an incentive for its use through matching financial or in-kind resources for the projects local communities initiate under inter-local agreements. We also recommend that other states in the region enact a similar policy or provide comparable incentives to local communities for its use.

[29] *Interlocal Cooperation Act,* Article 8, Sections 13-801 to 13-827, Nebraska Revised Statutes Supplement, 1998.
[30] Id. Section 13-802.

V. The Role of the Federal Government

Recommendation Number 12: Federal rural development policy must be strengthened and reshaped.

Most of the policy recommendations made herein are based on state, local or individual action. However, the federal government cannot abdicate its role in the future development and well-being of the agricultural communities of this region. The responsibility of the federal government is great in this region due to the role federal agricultural policy has played in shaping today's economic situation in the rural areas of the region.

The federal government has retreated from a significant role in rural development and has attempted to substitute poorly targeted farm programs for comprehensive rural development policy. The federal farm bill that is scheduled for reauthorization in 2002 must contain a strong rural development title that assists in shaping rural economies as discussed herein.

Briefly, we would recommend that federal rural development policy should:

- Assist in the creation of an interstate compact to address the needs of rural, agricultural communities in the region. Similar compacts have been established in Appalachia and the Mississippi Delta, and have assisted communities in obtaining markets for locally produced goods and attracting economic development of appropriate scale for rural communities in those regions. Just as those interstate compacts were formed to address unique issues and economic problems resulting from particular regional events, so too could a Great Plains interstate compact assist rural communities in this region to address issues related to the decline and concentration of agriculture.
- Contain an Agricultural and Rural Entrepreneurship Initiative that would support a range of programs to foster agricultural, community development and small and microenterprise development. This initiative should include programs and incentives to provide opportunities to beginning farmers and ranchers and financing for new rural businesses, with an emphasis on self-employment and microenterprises.
- Contain the Family Farm and Ranch Retooling Initiative as discussed in Recommendation Two.
- Establish a regionally based rural development policy. The diversity of rural communities in the United States has hampered the development of a national policy. Rather than attempting to institute a comprehensive policy that works for no region well, the federal government should instead develop a regionally based policy that responds to the unique issues and challenges faced by rural communities in a region of the country.

PART III.

PARTING COMMENTS

We began this report discussing dreams – dreams of the past that have, for the most part come true, and dreams of the future that are in peril. The persistent economic hardships of rural communities, particularly agriculturally based communities, threaten to trample both the dreams of the past and hopes of the future.

The dream of a rural renaissance in the Great Plains is based neither on a misguided view of the past nor on an abstract interest in rural communities. The Center for Rural Affairs is headquartered in Walthill, Nebraska, population 756. Its staff hails from rural, agriculturally based communities such as Coleridge (550), Pender (1,247), Lyons (1,160), Oakland (1,295), Blue Springs (404), Atkinson (1,276), Bancroft (488), Plymouth (419) and Stanton (1,531) in Nebraska; Whiting, Iowa (831); and the farms and ranches surrounding these communities.

The communities discussed in this report are our homes and our places of work. The people and families suffering the economic hardships we have documented are our friends, neighbors, co-workers and family members. The future economies of these communities determine where our friends and family will live in the future, where we shop, where we attend church, where our children attend school.

Therefore, the data and recommendations herein have not been a mere academic exercise based on theoretical concepts. Rather, we have attempted to present current data and recommendations for the future that will positively shape the economic standing of our neighbors and their families and ensure the survival of our communities.

Leaving Home Blues: An NBC White Paper on Rural Migration was presented by NBC television in 1971. This program spoke to "forced migration: the movement of people from rural America who don't want to go. Who would not go if they had the choice. But the choice is gone: devoured by the markets and mechanization in agriculture and the failure of industry or government to provide new or adequate jobs."[31] The economic problems of the rural Great Plains are not new; in many ways, they have really not changed since the settlement of this region over a century ago. The persistent nature of the economic problems facing rural areas of the region lead many to view them as hopelessly intractable and insolvable.

We reject this resignation and fatalism. The situation facing rural communities of this region is one that has, in large part, been decided by individual and public policy choices. Despite the common saying, ultimately there is only one thing inevitable in life. The public policy choices and the life decisions made by human institutions and individuals are not "inevitable." They are choices that can be changed and adapted. For that reason, we believe there is still time and there is still hope for the rural communities of this region.

[31] Transcript of program in the *Congressional Record*, September 10, 1971, pages S14081-85.

The public policy choices made by human institutions and the choices made by individuals in terms of economics are often referred to as preferences. In a representative democracy, if enough people have a preference for a certain future, public policy should promote and portray that preference (save for immoral and ethically constrained preferences). Yet, in the rural communities of the Great Plains, preferences and public policy are nearly polar opposites. For example, the 1999 *Nebraska Rural Poll* made it quite clear what the preferences of rural residents are. When asked about their preferences for a variety of outcomes and their expectations about the same outcomes, rural residents of Nebraska showed a striking disconnect between what rural people want and what they expect to get.

Table 5. Preferences of Rural Nebraskans about the Future

Outcome	Percentage Preferred	Percentage Expected
Increased rural population	50	31
Dispersed population throughout the state	84	37
Continued existence of small towns	85	35
Communities with a variety of businesses	88	43
Increased large rural businesses/employers	25	50
Family owned and operated farms	80	29
Larger sized farms	33	66
Decreased funding for public education	13	32

Source: *Rural Nebraska Tomorrow: The Gap Between the Preferred and Expected Future*, John C. Allen, Rebecca Filkins, and Sam Cordes, University of Nebraska-Lincoln, 1999.

What does it say about a system of government that encourages, promotes and enacts public policy that produces results exactly opposite of what citizens want? While this is not a treatise on political philosophy, that question represents a challenge faced by rural people. A democratic society that fails to consider and act upon the preferences of a significant number of its citizens risks losing its legitimacy and ultimately loses the faith of those citizens. Thus, the ultimate challenge posed by this report is to connect the preferences of rural people with public policy and actions that make them so.

Our final comments are directed to a group that has been alluded to, but not specifically addressed in this report – our fellow citizens of rural communities.[32] Many of you are the ancestors of the 19th century homesteaders and townbuilders who established and developed your communities. Increasing numbers of you are new arrivals to this region, but filled with the same dreams as those who arrived a century before. Escape from the oppressive political

[32] *Half A Glass of Water* took the same route in its conclusion. We believed this is a fitting way to conclude this report, and we are indebted to the authors of *Half A Glass of Water* for devising it, and we, admittedly, are borrowing liberally from it.

systems of foreign lands or from bleak economic situations were the dreams of both past and present-day settlers of the Great Plains. But the persistent economic hardships of the rural communities of this region threaten to trample both the dreams of the past – as expressed by ancestors of townbuilders and homesteaders – and the hopes of the future for new immigrants.

How we prevent that from happening is dependent in large extent on how the challenge put forth above is answered. It is not the responsibility of governments – local, state or federal – to determine solely what will become of rural people and rural places. Though government is an important component, the ultimate burden must be on the people who live in these communities to become full participants in the development process, to see to it that their preferences are connected to public policy and actions.

The dreams of the 19th century townbuilders and homesteaders rest upon the shoulders of their ancestors; the dreams of new immigrants remain waiting to be fulfilled. Their dreams are being trampled, but not yet crushed. The responsibility for kindling the fire of their dreams is ours. Only we can decide whether those dreams die or find a rebirth.

PART IV.

STATE BY STATE RESULTS

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 the rural farm counties of Iowa are 22 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 11 percent higher than in metropolitan counties.

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

Income

Annual average per capita incomes in the agricultural counties of Iowa are lower than in nonfarm and metropolitan counties. Annual average per capita incomes in the rural farm counties of Iowa are over $4,000 less than in metropolitan counties. Rural farm county annual average per capita incomes are about 82 percent of such incomes in metropolitan counties. Incomes in urban farm counties are about 87 percent of metropolitan counties.

Job Growth

Between 1988 and 1997, rural farm counties in Iowa had only one-third the job growth of metropolitan counties. While Iowa's loss of farm proprietors and farm laborers was similar to the region as a whole, rural farm counties in the state showed significant job growth in nonfarm self-employment. Nearly 40 percent of all nonfarm job growth was in this sector. Iowa's rural farm counties fared only slightly better than rural farm counties in the region in terms of job growth (eight new jobs per 100 in Iowa compared to seven in the region).

Iowa's urban farm counties had identical job growth rates as the region's urban farm counties. Again, nearly 40 percent of the nonfarm 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. This suggests significant entrepreneurial energy and character in agricultural counties.

Iowa rural farm counties have higher poverty rates, lower incomes and much lower job growth rates than the rest of the state.

- Poverty rates for rural farm counties are 24 percent higher than in metropolitan counties. (see Figure 9)

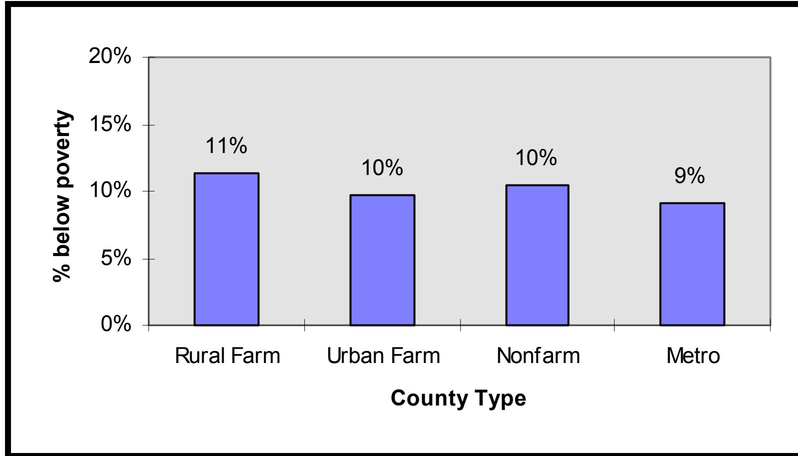

Figure 9. Iowa Average Poverty Rates, 1995

- Annual incomes are $4,000 less per person in rural farm counties as compared to metropolitan counties. (see Figure 10)

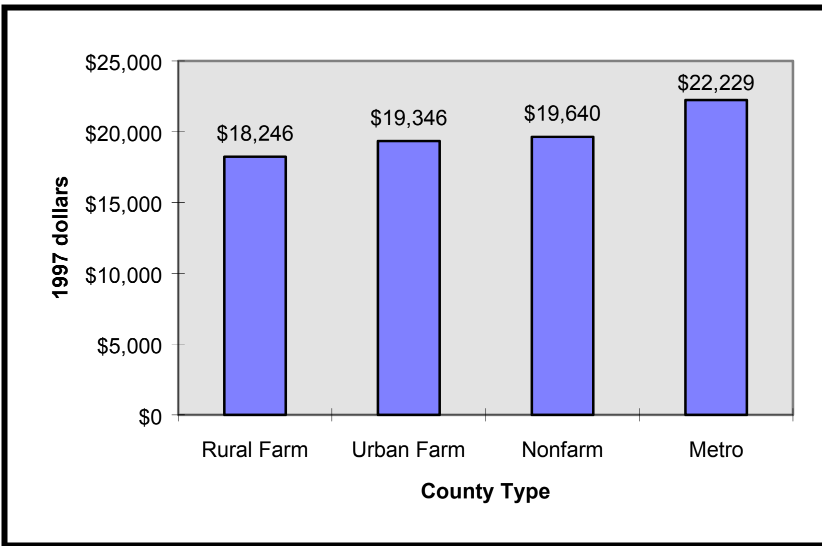

Figure 10. Iowa Annual Average Per Capita Income, 1988 to 1997

- Between 1988 and 1997, rural farm counties had only one third of the job growth rate that metropolitan counties experienced. (see Figure 11)

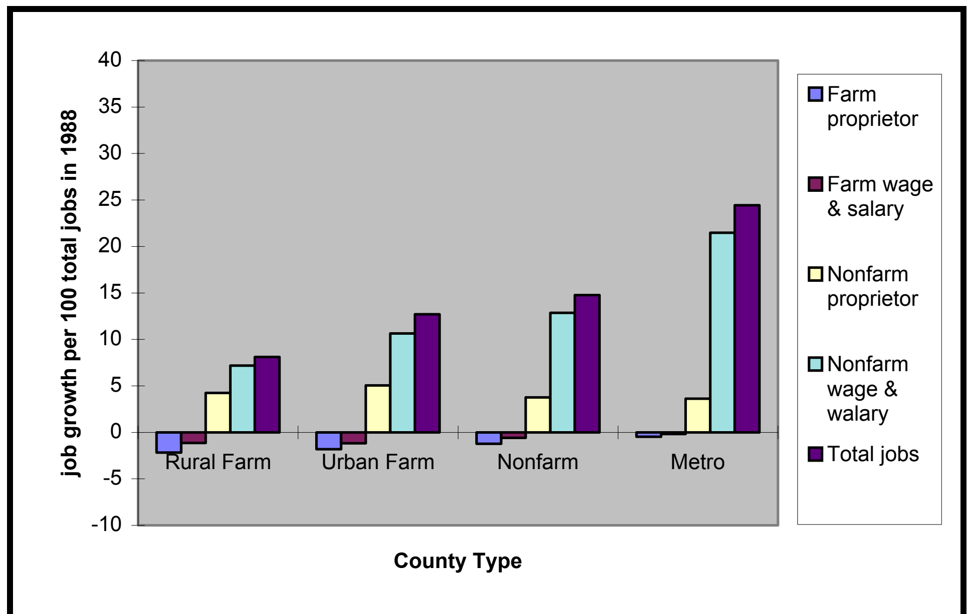

Figure 11. Iowa Job Growth Rates, 1988 to 1997

KANSAS – Comparisons between the agricultural counties of Kansas and the 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 both the rural farm and urban farm counties of Kansas are 10 percent higher than in metropolitan counties of the state. 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 in the region as a whole except for nonfarm counties. Poverty rates in the rural farm counties of Kansas are 21 percent lower than in the rural farm counties of the region.

Income

Per capita incomes in Kansas' rural farm counties represent an anomaly within the region. Annual average per capita incomes in Kansas' rural farm counties are essentially equal to the annual average per capita incomes in the state's metropolitan counties. Every other state in the region has at least a 15 percent lower annual average per capita income in rural farm counties. In addition, the annual average per capita income in urban farm counties is also similar to metropolitan counties (a difference of $442, about two percent). Again, unlike the region as a whole, the nonfarm counties in Kansas contain the lowest annual average per capita incomes, about 15 percent lower than metropolitan and rural farm counties.

Annual average per capita income for Kansas' rural farm counties is 16 percent higher than for rural farm counties in the region. Annual average per capita income in Kansas' urban farm counties is about 8 percent higher than in urban farm counties in the region. Income levels for nonfarm and metropolitan counties are comparable to those in the region.

One possible explanation for the difference in rural income levels in Kansas and in other states in the region is the existence of the oil and gas industry in many rural communities.

Job Growth

Job growth rates in Kansas from 1988 to 1997 are similar to those in the region as a whole. Despite relatively high incomes and low poverty rates, Kansas' rural farm counties possessed the lowest job growth rates of such counties in the region. Rural farm counties in the state had a very sluggish growth rate during the period, only 10 percent of job growth in metropolitan counties. Job growth rates in Kansas' rural farm counties for nonfarm proprietorships and nonfarm wage and salary jobs were half or less of rates for similar jobs in rural farm counties in the region.

Job growth in Kansas' urban farm counties from 1988 to 1997 are lower than the region as whole. A striking difference was the lack of any job growth of nonfarm proprietorships in urban farm counties. All job growth during the period in urban farm counties in the state came from nonfarm wage and salary jobs. In the region, nonfarm proprietorships contributed significantly to the job growth rates of urban farm counties. In Kansas, there was not a comparable level of contribution. In fact, the job growth rates for nonfarm proprietorships in all types of Kansas counties were quite low, the lowest growth for such jobs of any state.

Kansas rural farm counties have higher poverty rates and much lower job growth rates than metropolitan counties in the state.

- Poverty rates for rural farm counties are 10 percent higher than in metropolitan counties. (see Figure 12)

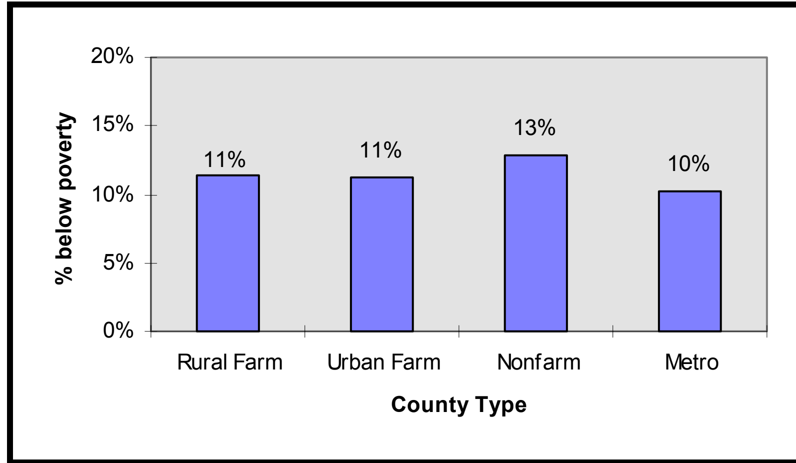

Figure 12. Kansas Average Poverty Rates, 1995

- Per capita annual incomes are similar in farm counties and metropolitan counties. (see Figure 13)

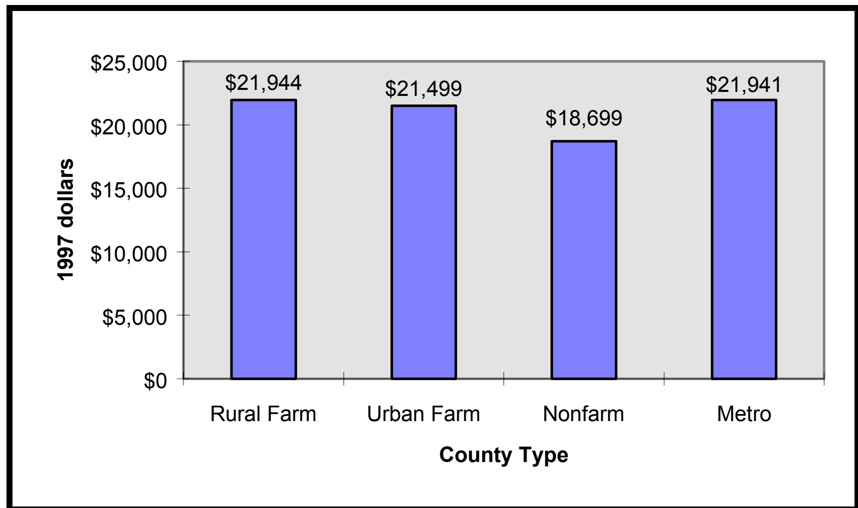

Figure 13. Kansas Annual Average Per Capita Income, 1988 to 1997

- Between 1988 and 1997, rural farm counties had only 10 percent of the job growth rate that metropolitan counties experienced. (see Figure 14)

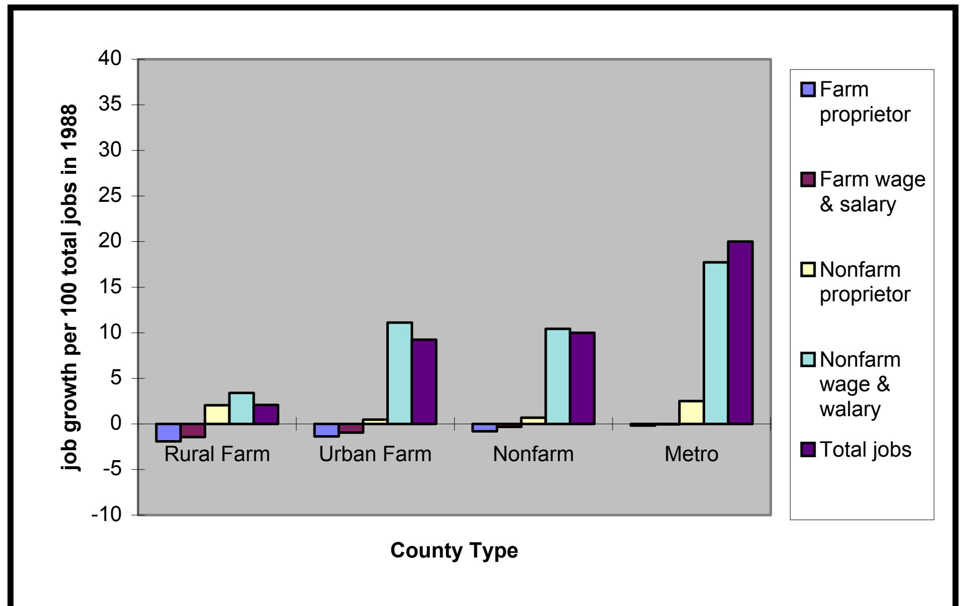

Figure 14. Kansas Job Growth Rates, 1988 to 1997

MINNESOTA – Minnesota is a symbol for the two-tiered economy now present in the region. From 1988 to 1997, Minnesota metropolitan counties could boast of the highest job growth among metropolitan counties in the region. However, the agricultural counties of the state had significantly lower incomes, higher poverty rates and lower job growth rates than the rest of the state. In addition, Minnesota has some quite unique economic attributes when compared to the region as a whole and other states in the region.

Poverty

Poverty rates in the rural farm counties of Minnesota are 50 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 22 percent higher than in metropolitan counties.

Poverty rates in the agricultural 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 the regional averages for the same county type.

Income

Annual average per capita incomes in the agricultural counties of Minnesota are lower than in nonfarm and metropolitan counties. Annual average per capita incomes in the rural farm counties of Minnesota are about $4,500 less than in metropolitan counties. Rural farm county annual average per capita incomes are about 80 percent of such incomes in metropolitan counties. Incomes in urban farm counties are nearly identical to nonfarm counties and 84 percent of metropolitan counties.

Job Growth

Between 1988 and 1997, rural farm counties in Minnesota had only one-third the job growth of metropolitan counties. Minnesota's rural farm counties experienced less job growth in nonfarm self-employment than the region's rural farm counties and when compared to other states. Nonfarm self-employment accounted for one-third of the job growth in rural farm counties in Minnesota. However, the total job growth in Minnesota's rural farm counties was significantly greater than in the region's rural farm counties (71 percent higher) due to a relatively robust growth in the number of nonfarm wage and salary jobs.

Minnesota's urban farm counties had slightly higher job growth rates than the region's urban farm counties, again due to higher rates of nonfarm wage and salary job growth. Again, nearly one-third of the nonfarm job growth in urban farm counties is attributable to nonfarm self-employment. Unlike the region as a whole and other states in the region, Minnesota's nonfarm and metropolitan counties show higher rates of entrepreneurial activity and energy than do agricultural counties.

Minnesota rural farm counties have higher poverty rates, lower incomes and much lower job growth rates than the rest of the state.

- Poverty rates for rural farm counties are 50 percent higher than in metropolitan counties. (see Figure 15)

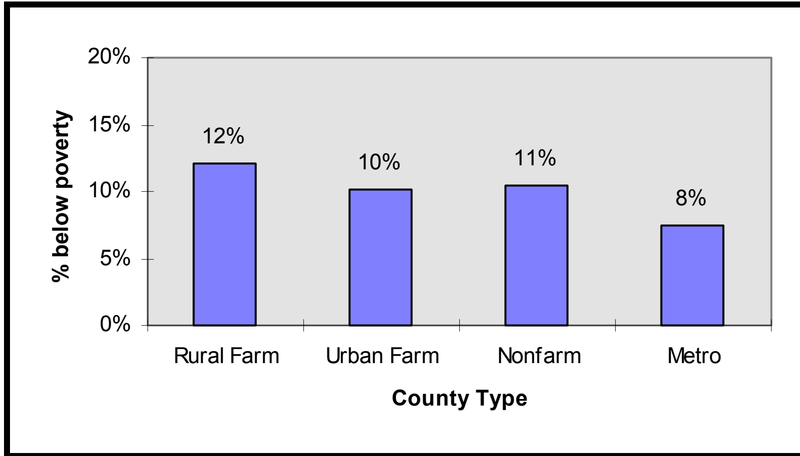

Figure 15. Minnesota Average Poverty Rates, 1995

- Annual incomes are $4,500 less per person in rural farm counties as compared to metropolitan counties. (see Figure 16)

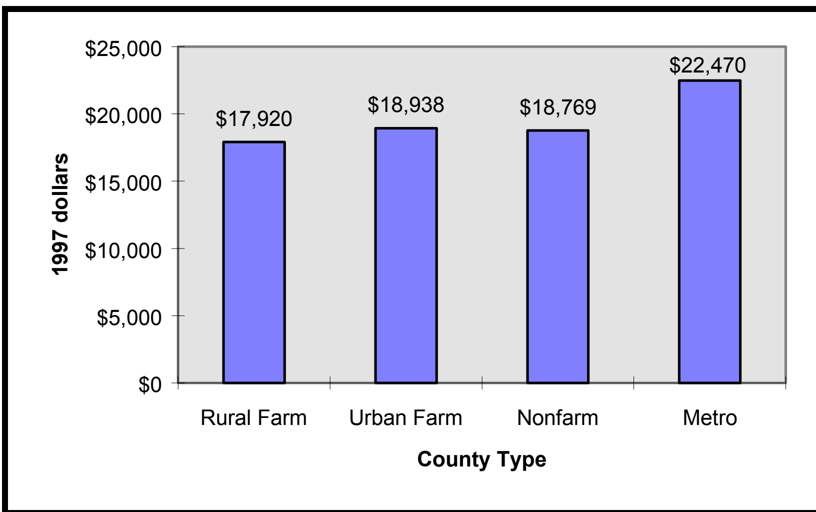

Figure 16. Minnesota Annual Average Per Capita Income, 1988 to 1997

- Between 1988 and 1997, rural farm counties had only one-third of the job growth rate that metropolitan counties experienced. (see Figure 17)

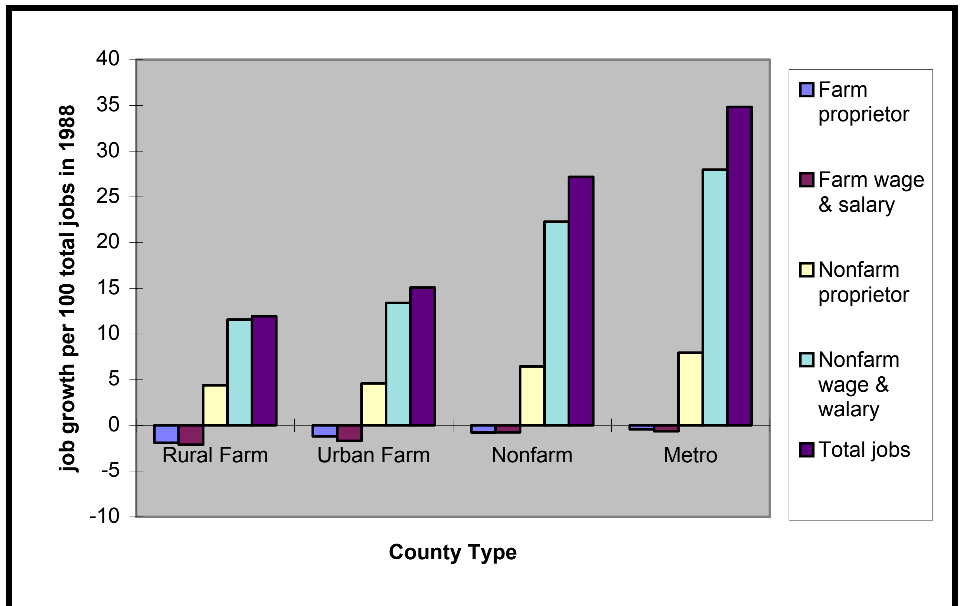

Figure 17. Minnesota Job Growth Rates, 1988 to 1997

NEBRASKA – Comparisons between the agricultural counties of Nebraska and the nonfarm and metropolitan counties of the state are comparable to those of the region as whole.

Poverty

Poverty rates in the rural farm counties of Nebraska are 50 percent higher than in metropolitan counties. While poverty rates in urban farm counties are lower than in rural farm counties (and marginally lower than in nonfarm counties), poverty rates in urban farm counties are still 25 percent higher than in metropolitan counties.

Overall, poverty rates in Nebraska are slightly lower than in the region as a whole, with each county type one or two percentage points lower than the regional averages for the same county type.

Income

Annual average per capita incomes in the rural farm counties of Nebraska are over $3,000 less than in metropolitan counties. Rural farm county annual average per capita incomes are about 85 percent of such incomes in metropolitan counties.

Job Growth

The job growth rates in Nebraska for 1988 to 1997 was the region's second lowest for rural farm counties; only Kansas had a lower rate. Much of the sluggish job growth can be attributed to the limited growth in nonfarm wage and salary jobs. However, Nebraska's rural farm counties had one of the most dynamic growth rates for nonfarm self-employment. In fact, but for nonfarm self-employment job growth, there would have been negative job growth in Nebraska's rural farm counties.

Self-employment represented 73 percent of nonfarm job growth in the rural farm counties of Nebraska. The urban farm counties of Nebraska also showed strength in nonfarm self-employment, with 40 percent of the total job growth coming from nonfarm self-employment. Nonfarm and metropolitan counties relied much more on nonfarm wage and salary growth, with self-employment accounting for only one-fourth of the growth in the nonfarm sector.

Overall, job growth between 1988 and 1997 was quite sluggish in Nebraska's agricultural communities. While losing agricultural jobs, these counties all gained very few other types of jobs. Rural farm counties only experienced 1/10th the total job growth rate of metropolitan counties, while urban farm counties had half the rate of metropolitan counties.

Nebraska rural farm counties have higher poverty rates, lower incomes and much lower job growth rates than the rest of the state.

- Poverty rates for rural farm counties are 50 percent higher than in metropolitan counties. (see Figure 18)

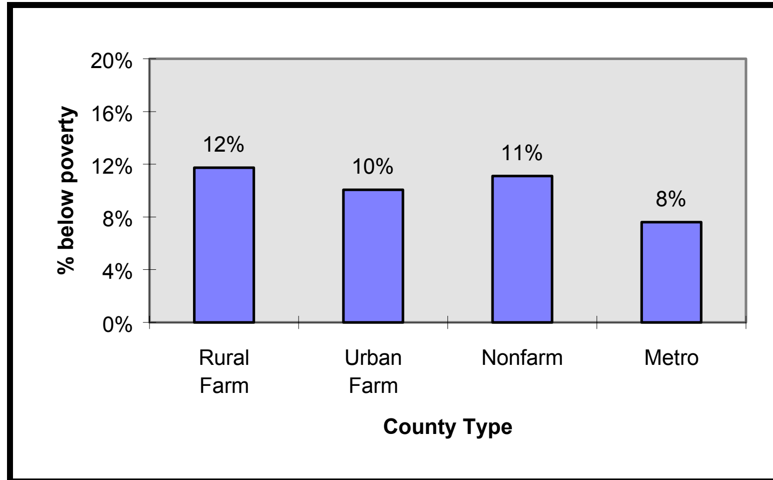

Figure 18. Nebraska Average Poverty Rates, 1995

- Annual incomes are over $3,000 less per person in rural farm counties as compared to metropolitan counties. (see Figure 19)

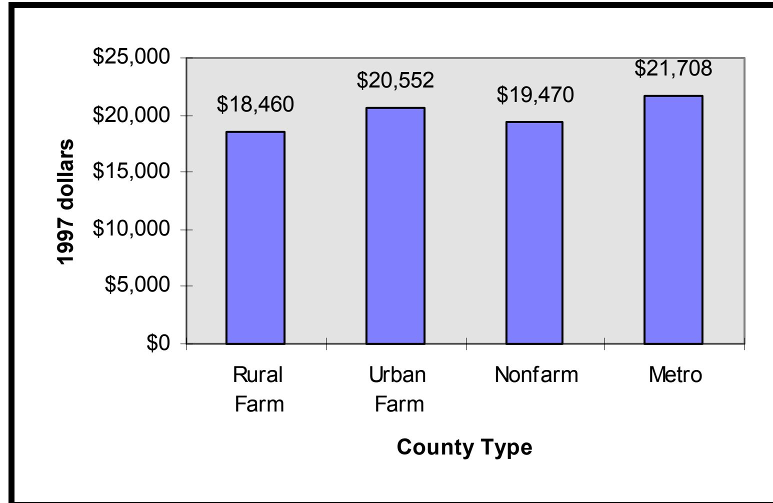

Figure 19. Nebraska Annual Average Per Capita Income, 1988 to 1997

- Between 1988 and 1997, rural farm counties had only 10 percent of the job growth rate that metropolitan counties experienced. (see Figure 20)

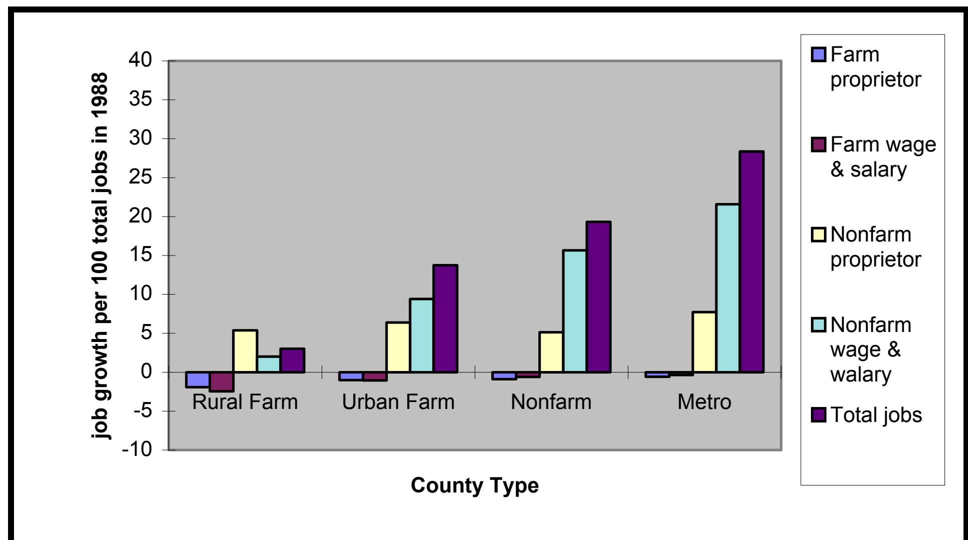

Figure 20. Nebraska Job Growth Rates, 1988 to 1997

NORTH DAKOTA – In terms of income, poverty and job growth, the rural farm counties of North Dakota are among the less economically well off of the region. This may be due to these counties having endured the farm crisis earlier and longer than other rural areas of the region (along with areas of Minnesota).

Poverty

Poverty rates in the rural farm counties of North Dakota are 50 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 30 percent higher than in metropolitan counties.

Poverty rates in the agriculturally based counties of North Dakota are higher than in the region as a whole, with both rural farm and urban farm counties in North Dakota having higher poverty rates than the regional averages for the same county type. The poverty rate for rural farm counties in North Dakota is the second highest rate among the states in the region.

Income

Annual average per capita incomes in the agricultural counties of North Dakota are lower than in nonfarm and metropolitan counties. Annual average per capita incomes in the rural farm counties of North Dakota are about $4,000 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 79 percent of such incomes in metropolitan counties. Incomes in urban farm counties are slightly higher than in nonfarm counties, but still only 91 percent of metropolitan counties.

Job Growth

Between 1988 and 1997, rural farm counties in North Dakota had only one-fourth the job growth of metropolitan counties. North Dakota's rural farm counties experienced less total job growth than the region's average for rural farm counties and when compared to other states. Rural farm counties in North Dakota experienced very sluggish nonfarm wage and salary job growth, and had the highest rate of farm and ranch proprietor loss of rural farm counties in any state. Again, however, nonfarm self-employment was a beacon of job creation in rural North Dakota. In rural farm counties, 55 percent of total nonfarm job growth was attributable to nonfarm self-employment.

In urban farm counties, the figures are more striking. The only job growth in urban farm counties in North Dakota was in nonfarm self-employment and at a rate greater than the regional average. It is interesting to note that the urban farm counties in North Dakota experienced relatively high average per capita incomes (91 percent of metropolitan incomes and higher than incomes in nonfarm counties) with job growth in only one sector. This suggests that North Dakota has been successful in maintaining its existing businesses and cultivating relatively well paying nonfarm self-employment opportunities.

It is also interesting to note that job growth in North Dakota's nonfarm counties is significantly lower than the regional average. North Dakota's job growth is less distributed among the types of counties than in other states, and is highly skewed to the state's metropolitan counties. Again, however, nonfarm and metropolitan counties show lower rates of entrepreneurial activity and energy than do agricultural counties.

North Dakota rural farm counties have higher poverty rates, lower incomes and much lower job growth rates than the rest of the state.

- Poverty rates for rural farm counties are 50 percent higher than in metropolitan counties. (see Figure 21)

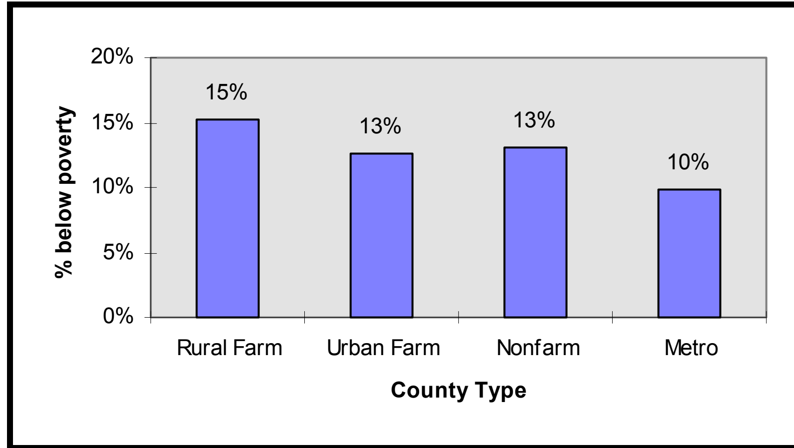

Figure 21. North Dakota Average Poverty Rates, 1995

- Annual incomes are $4,000 less per person in rural farm counties as compared to metropolitan counties. (see Figure 22)

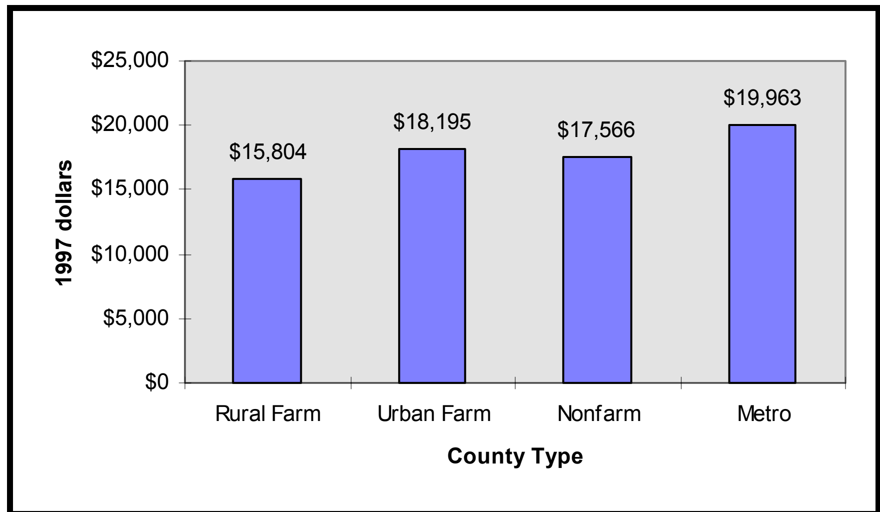

Figure 22. North Dakota Annual Average Per Capita Income, 1988 to 1997

- Between 1988 and 1997, rural farm counties had only one-fourth of the job growth rate that metropolitan counties experienced. (see Figure 23)

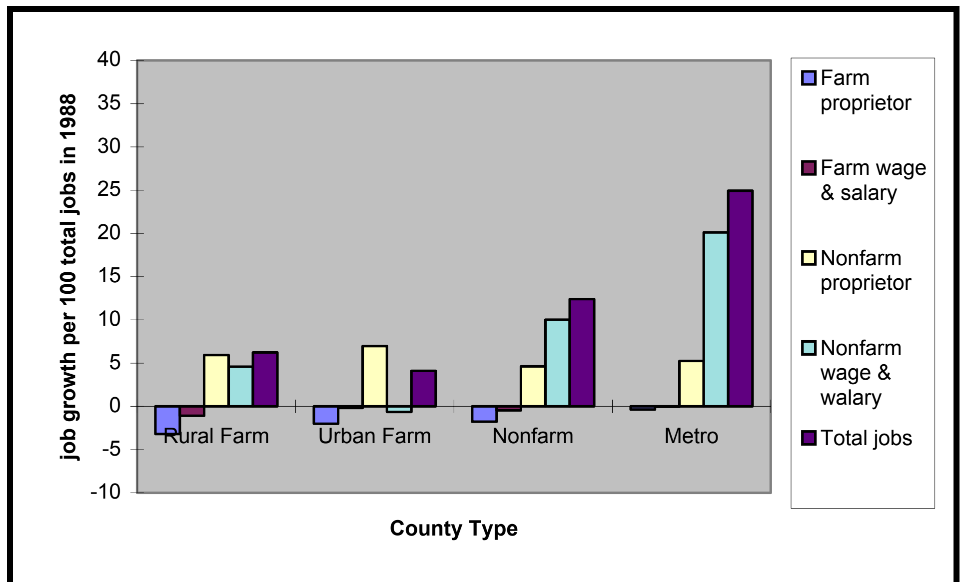

Figure 23. North Dakota Job Growth Rates, 1988 to 1997

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

Poverty

Poverty rates in the rural farm counties of South Dakota are 111 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 78 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 the rural farm, urban farm and nonfarm counties of South Dakota are higher than in the region as a whole, with each type of county having the highest poverty rates among the states in the region. Much of the nonfarm poverty rate is attributable to extreme, persistent poverty on the state's Indian reservations. In terms of poverty rates, South Dakota has the most inequitable distribution of income of any state in the region.

Income

Annual average per capita incomes in the agricultural counties of South Dakota are lower than in nonfarm and metropolitan counties. Annual average per capita incomes in the rural farm counties of South Dakota are nearly $5,000 less than in metropolitan counties. Rural farm county annual average per capita incomes are about 78 percent of such incomes in metropolitan counties, the largest gap between incomes in rural farm and metropolitan counties in the region. Incomes in urban farm counties are slightly higher than in nonfarm counties, but still only 88 percent of metropolitan counties.

Job Growth

Despite high poverty rates and low incomes, rural farm counties in South Dakota experienced over double the job growth rate of the regional average for rural farm counties between 1988 and 1997. Despite this performance, rural farm counties in South Dakota experienced less than half the job growth of South Dakota's metropolitan counties during the period. South Dakota's metropolitan job growth was the highest in the region (tied with Minnesota) as the result of several large corporations locating in South Dakota during the 1988 to 1997 period.

Again, nonfarm self-employment played a significant factor in job growth in South Dakota's rural farm counties. About 40 percent of all nonfarm job growth was in self-employment. Nonfarm self-employment was also a significant factor in job growth in urban farm counties, with about 43 percent of total nonfarm job growth attributable to self-employment. However, jobs in rural farm counties were becoming less tied to agricultural. South Dakota's rural farm counties had the highest rate of loss of farm and ranch proprietors (tied with North Dakota). Total job growth in South Dakota's urban farm counties was identical to the regional average.

It is also interesting to note that job growth in South Dakota's nonfarm counties was nearly twice the regional average for nonfarm counties. In addition, entrepreneurial activity and energy in South Dakota is higher than the regional average, with job growth rates for nonfarm proprietors higher in all types of counties than the comparable regional averages.

South Dakota rural farm counties have higher poverty rates, lower incomes and much lower job growth rates than the rest of the state.

- Poverty rates for rural farm counties are twice as high as in metropolitan counties. (see Figure 24)

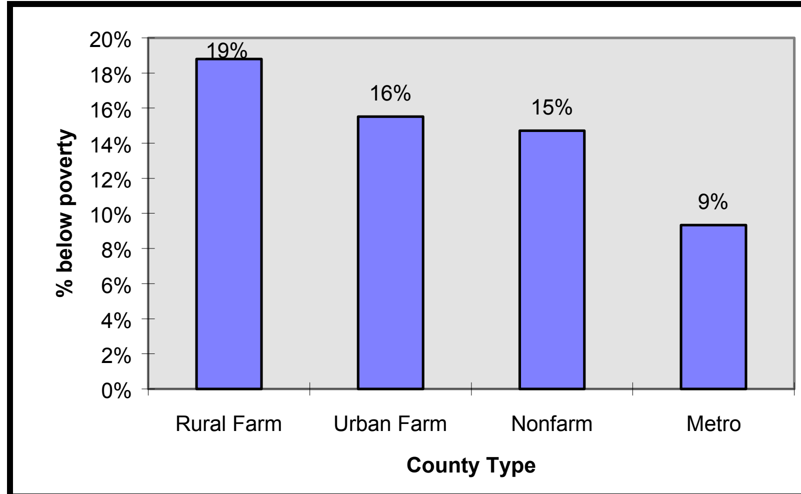

Figure 24. South Dakota Average Poverty Rates, 1995

- Annual incomes are nearly $5,000 less per person in rural farm counties as compared to metropolitan counties. (see Figure 25)

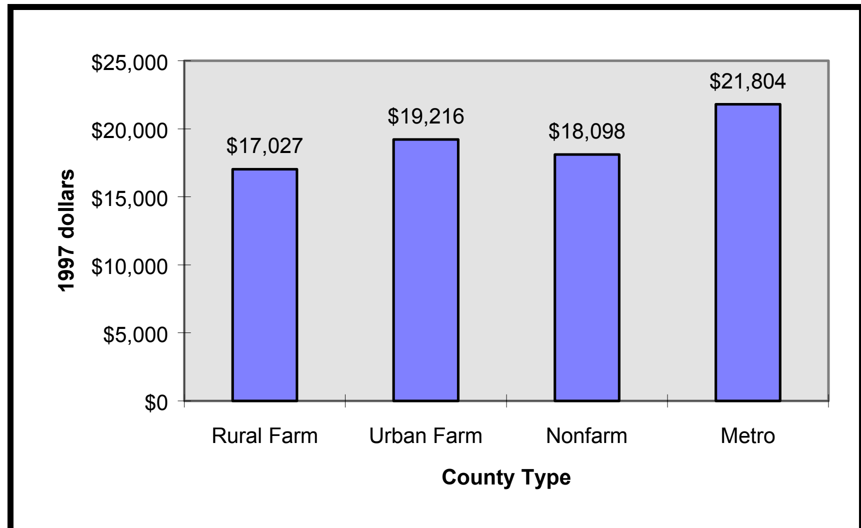

Figure 25. South Dakota Annual Average Per Capita Income, 1988 to 1997

- Between 1988 and 1997, rural farm counties had less than half the job growth rate that metropolitan counties experienced. (see Figure 26)

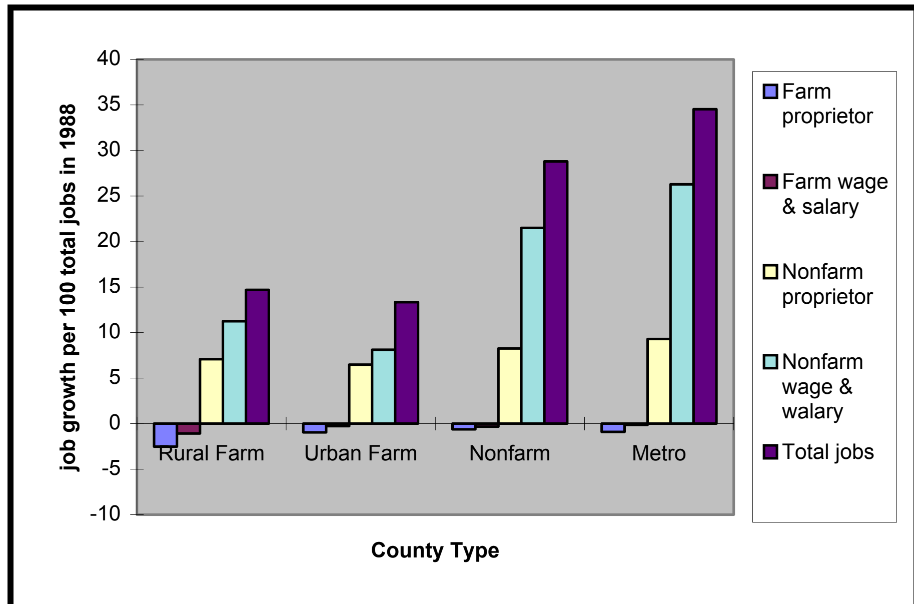

Figure 26. South Dakota Job Growth Rates, 1988 to 1997

APPENDIX

COUNTY CLASSIFICATIONS BY STATE

Iowa Rural Farm Counties		
Adair	Grundy	Sac
Adams	Guthrie	Taylor
Butler	Ida	Van Buren
Calhoun	Keokuk	Wayne
Clayton	Pocahontas	Worth
Fremont	Ringgold	

Iowa Urban Farm Counties		
Audubon	Hamilton	Mitchell
Benton	Hancock	Monona
Cedar	Harrison	O'Brien
Delaware	Howard	Osceola
Emmet	Humboldt	Palo Alto
Fayette	Kossuth	Shelby
Franklin	Lyon	Washington
Greene	Mahaska	Wright

Iowa Nonfarm Counties		
Allamakee	Crawford	Monroe
Appanoose	Davis	Montgomery
Boone	Dickinson	Muscatine
Bremer	Floyd	Page
Buchanan	Hardin	Plymouth
Buena Vista	Henry	Poweshiek
Carroll	Jackson	Sioux
Cass	Jasper	Story
Cerro Gordo	Jefferson	Tama
Clarke	Jones	Union
Clinton	Lee	Wapello
Decatur	Lucas	Webster
Des Moines	Madison	Winnebago
Cherokee	Marshall	Winneshiek
Chickasaw	Marion	
Clay	Mills	

Iowa Metropolitan Counties	
Blackhawk	Polk
Dallas	Pottawattamie
Dubuque	Scott
Johnson	Warren
Linn	Woodbury

Kansas Rural Farm Counties		
Barber	Hamilton	Osborne
Chase	Haskell	Rawlins
Cheyenne	Hodgeman	Sheridan
Clark	Jewell	Smith
Comanche	Kearny	Stafford
Decatur	Kiowa	Stanton
Edwards	Lane	Trego
Elk	Lincoln	Wabaunsee
Grove	Logan	Wallace
Graham	Meade	Wichita
Gray	Moton	Woodson
Greeley	Ness	

Kansas Urban Farm Counties	
Grant	Scott
Harper	Sherman
Pawnee	Stevens
Pratt	Thomas
Republic	

Kansas Nonfarm Counties		
Allen	Finney	Nemaha
Anderson	Ford	Neosho
Atchison	Franklin	Norton
Barton	Geary	Ottawa
Bourbon	Greenwood	Osage
Brown	Jackson	Phillips
Chautauqua	Jefferson	Pottawatomie
Cherokee	Kingman	Reno
Clay	Labette	Rice
Cloud	Linn	Riley

Kansas Nonfarm Counties		
Coffey	Lyon	Rooks
Cowley	McPherson	Rush
Crawford	Marion	Russell
Dickinson	Marshall	Saline
Doniphan	Mitchell	Seward
Ellis	Montgomery	Sumner
Ellsworth	Morris	Washington
		Wilson

Kansas Metropolitan Counties	
Butler	Miami
Douglas	Sedgwick
Harvey	Shawnee
Johnson	Wyandotte
Leavenworth	

Minnesota Rural Farm Counties	
Big Stone	Marshall
Fillmore	Murray
Grant	Norman
Kittson	Red Lake
Lac Qui Parle	Sibley
Lincoln	Traverse
Mahnomen	

Minnesota Urban Farm Counties	
Cottonwood	Renville
Dodge	Rock
Fairbault	Stevens
Jackson	Swift
Martin	Todd
Meeker	Watonwan
Pope	Wilkin
Redwood	Yellow Medicine

Minnesota Nonfarm Counties		
Aitkin	Hubbard	Nicolllet
Becker	Itasca	Nobles
Beltrami	Kanabec	Otter Tail
Blue Earth	Kandiyohi	Pennington
Brown	Koochiching	Pine
Carlton	Lake	Pipestone
Cass	Lake of the Woods	Rice
Chippewa	Le Sueur	Roseau
Clearwater	Lyon	Steele
Cook	McLeod	Wabasha
Crow Wing	Mille Lacs	Wadena
Douglas	Morrison	Waseca
Freeborn	Mower	Winona
Goodhue		

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

Nebraska Rural Farm Counties		
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	Thayer
Dixon	Keya Paha	Thomas
Dundy	Knox	Valley
Fillmore	Logan	Webster
Franklin	Loup	Wheeler
Frontier	McPherson	

Nebraska Urban Farm Counties		
Box Butte	Hamilton	Nemaha
Butler	Holt	Phelps
Cherry	Jefferson	Richardson
Cheyenne	Kearney	Saunders
Cuming	Keith	Wayne
Custer	Kimball	York
Dawson	Merrick	

Nebraska Nonfarm Counties		
Adams	Hall	Saline
Buffalo	Lincoln	Scotts Bluff
Colfax	Madison	Seward
Dawes	Otoe	Stanton
Dodge	Platte	Thurston
Gage	Red Willow	

Nebraska Metropolitan Counties	
Cass	Lancaster
Dakota	Sarpy
Douglas	Washington

North Dakota Rural Farm Counties	
Benson	Logan
Cavalier	McHenry
Dickey	McIntosh
Divide	Nelson
Dunn	Pembina
Eddy	Renville
Emmons	Sheridan
Golden Valley	Sioux
Grant	Slope
Griggs	Steele
Hettinger	Towner
Kidder	Trail
La Moure	Wells

North Dakota Urban Farm Counties	
Bottineau	Walsh

North Dakota Nonfarm Counties		
Adams	McKenzie	Richland
Barnes	Mercer	Rolette
Billings	Mountrail	Stark
Bowman	Oliver	Stutsman
Burke	Pierce	Ward
Foster	Ramsey	Williams
McLean	Ransom	

North Dakota Metropolitan Counties	
Burleigh	Grand Forks
Cass	Morton

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

South Dakota Urban Farm Counties	
Fall River	Tripp
Lake	Walworth
Spink	

South Dakota Nonfarm Counties		
Beadle	Codington	Lawrence
Butte	Custer	Meade
Brookings	Davison	Shannon
Brown	Grant	Yankton
Clay	Hughes	

South Dakota Metropolitan Counties		
Lincoln	Minnehaha	Pennington

DATA SOURCES AND DEFINITIONS

Poverty Rates
The poverty rates reported here are taken from the U.S. Bureau of the Census 1995 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. The child poverty rate is based on the percent of persons under age 18 in families with money income below the poverty threshold based on family size and composition. For 1995 the poverty level for a family of four was $15,150 a year.

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 1990 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, question 33.

BUREAU OF ECONOMIC ANALYSIS DATA

County-level measures of population, 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 1969 to 1997. 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, and 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 is 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 are subtracted from the estimates of total net income to yield the estimates of farm proprietors 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. The estimates for 1988-97 are based on the 1987 SIC.

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 1987 from the number in 1997. The job growth rate for an industry/type category was calculated by dividing its net job change between 1988 and 1997 by total jobs in 1988 and multiplying the result by 100.