New Horizons for the Nebraska Economy

Mark Drabenstott
Center for the Study of Rural America
Federal Reserve Bank of Kansas City
New Horizons for the Nebraska Economy

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

Percent change in nonfarm employment, year over year

Source: Bureau of Labor Statistics

Center for the Study of Rural America, FRBKC
Unemployment has risen but remains below national levels.

Source: Bureau of Labor Statistics
Manufacturing is notably weak...

Change in Employment, Jan – Aug 2002

Source: BLS

Center for the Study of Rural America, FRBKC
Meanwhile, agriculture’s slump deepens…

US Net Farm Income

Billion dollars

*Forecast
Source: USDA

Center for the Study of Rural America, FRBKC
As drought drives down livestock profits...

Cash receipts in $ billion

*Forecast
Source: USDA
Nebraska Farmland Values
Nonirrigated

Percent change from year ago

Source: Federal Reserve Bank of Kansas City

Center for the Study of Rural America, FRBKC
 Omaha-Lincoln captures Nebraska’s growth

Average Annual Percent Change in Employment (1989-00)

- US: 1.83
- Nebraska: 1.85
- Lincoln-Omaha: 2.26
- NE less Lincoln-Omaha: 1.35

Source: USDA and BEA

Center for the Study of Rural America, FRBKC
And many counties struggle with continued exodus.
In sum

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

Technology heralds new opportunities...
Diminishing distance...
Creating new value...
And launching new products.
The New Frontier

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

From “new-use” commodities
  • Ethanol
  • Bio-plastics (Blair, NE)
To new “high-value” products
  • Farmaceuticals
Growing Farmaceuticals

• A fusion of agriculture, nutrition and medicine…
• Where prevention overtakes the cure.
Growing Farmaceuticals

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

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

• ISO 9000 attention to quality
• Several hundred farmers - all on the same page
• Multi-community, multi-county partnership.
• University support for technology and business assistance.
• Giving up commodities.
E-commerce: A virtual horizon

• The promise of eliminating distance…
• But the reality remains elusive.
New e-commerce horizons

- Broadband remains an issue...
- But business starts probably more important.
The “Aurora Horizon”

• A local technology solution…
  Hamilton Telecom
• And other local leadership…
• Led to new business growth.
  Software 4
But growing entrepreneurs may be more important...


Source: National Commission on Entrepreneurship

Center for the Study of Rural America, FRBKC
The Common Thread of the New Frontier

- In the past, *independence*.
- In the future, *interdependence*.
A New Frontier for Rural Policy

Three new focal points:
• Place
• Partnering
• New competitiveness
Why place?

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

If we value it at all.

Center for the Study of Rural America, FRBKC
Why partnering?

• Most rural firms are small
• Clusters or networks make small firms competitive
• A clear focus of rural development globally.
Why regional competitiveness?

• Krugman and Porter:
  Regions matter in a global economy.
• The constant challenge:
  Create new competitive advantage - don’t protect the old.
U.S. rural policy still lags shifts in the rural economy...

Spending in the 2002 Farm Bill (2002-11)

Source: Calculations based on CBO estimates
Excludes Nutrition program spending

Center for the Study of Rural America, FRBKC
New Local Actions

• Think and act regionally.
  *The power of critical mass.*
• Foster more entrepreneurs.
  *The power of equity capital.*
• Find institutions that will help you.
  *The power of synergies.*
Conclusions

• Nebraska’s economy is weak…
• Hurt by farm and factory slumps.
• Growth is dominated by Omaha-Lincoln.
• How to spur growth outstate?
Technology opens new horizons of opportunity

• Launching new products…
• Eliminating distance…
• And forging new partnerships.
But new businesses…
Signal a new way of doing business.

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