

U.S. Agricultural and Rural Outlook



FEDERAL RESERVE BANK *of* KANSAS CITY

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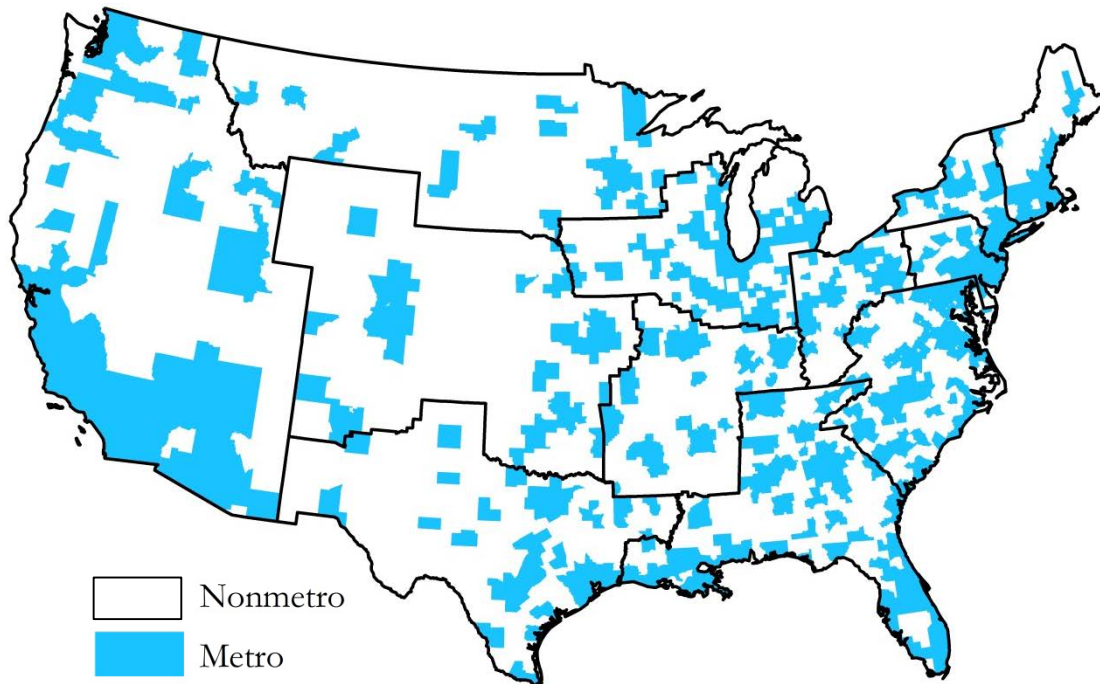
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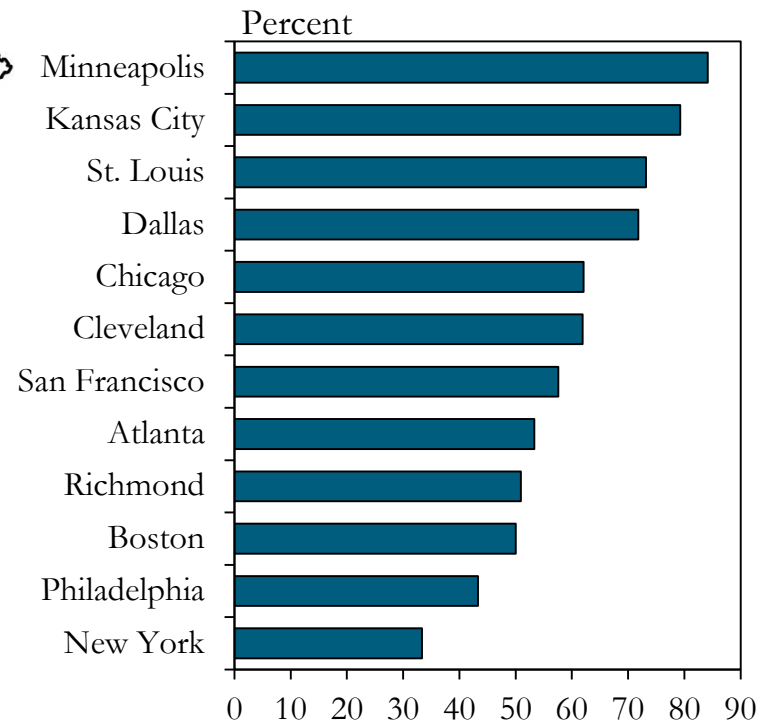


The Kansas City Fed District is highly rural.

Metro and Rural Counties



Share of Counties Classified as Rural



Source: BEA, USDA, and staff calculations

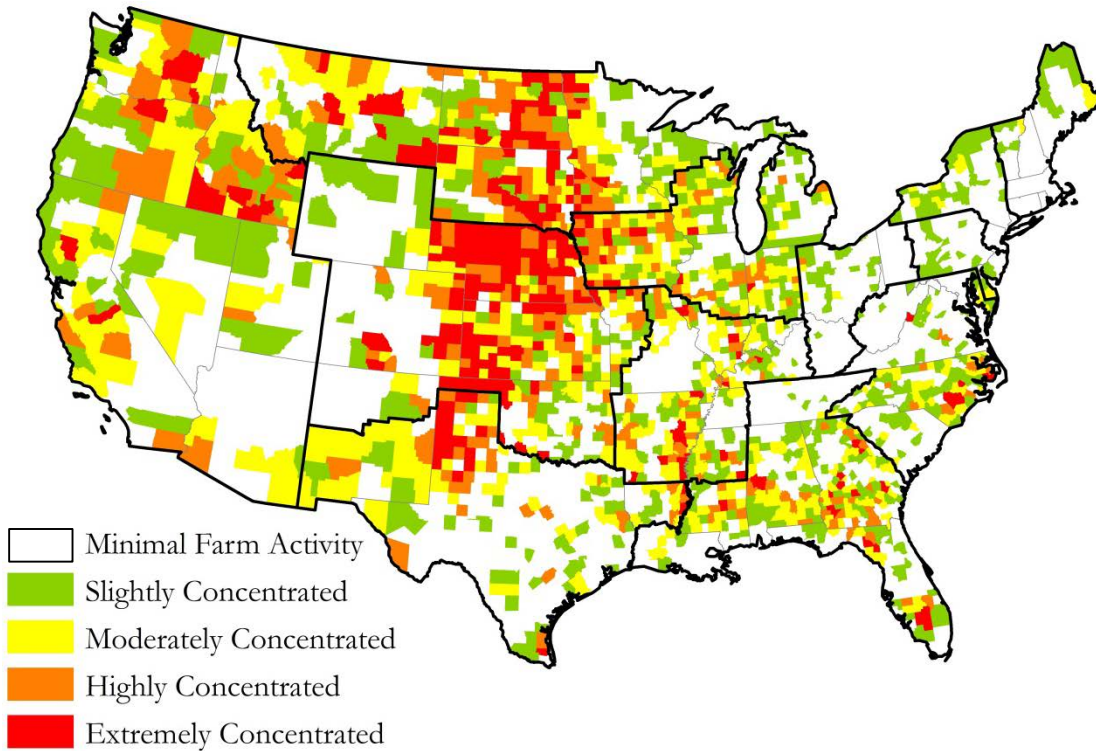
Source: BEA and staff calculations.

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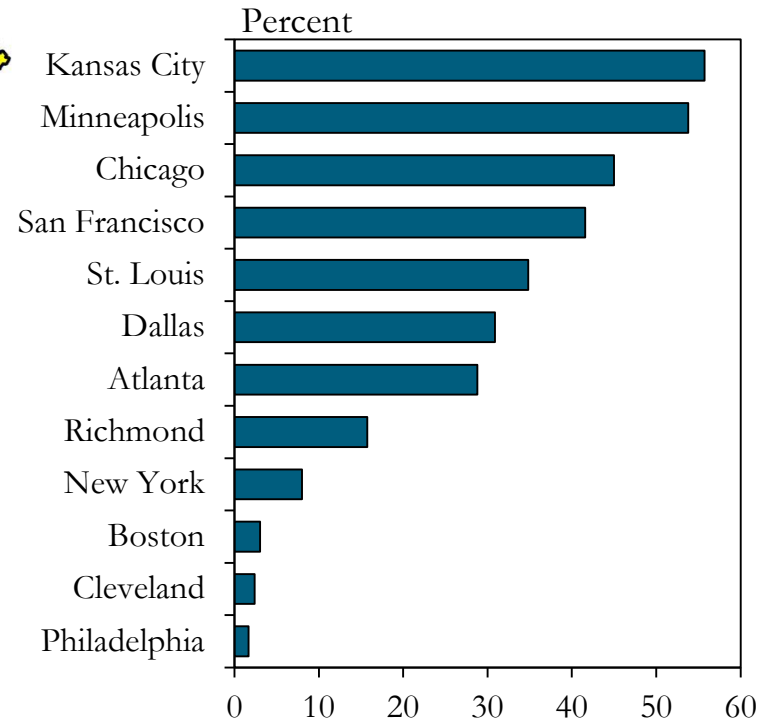


Of the 12 Fed Districts, the KC District is also the most concentrated in agriculture by some measures.

Farm Sector Concentration



Share of Counties with Moderate Farm Concentration or Higher



Source: BEA, USDA, and staff calculations

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Outlook Themes

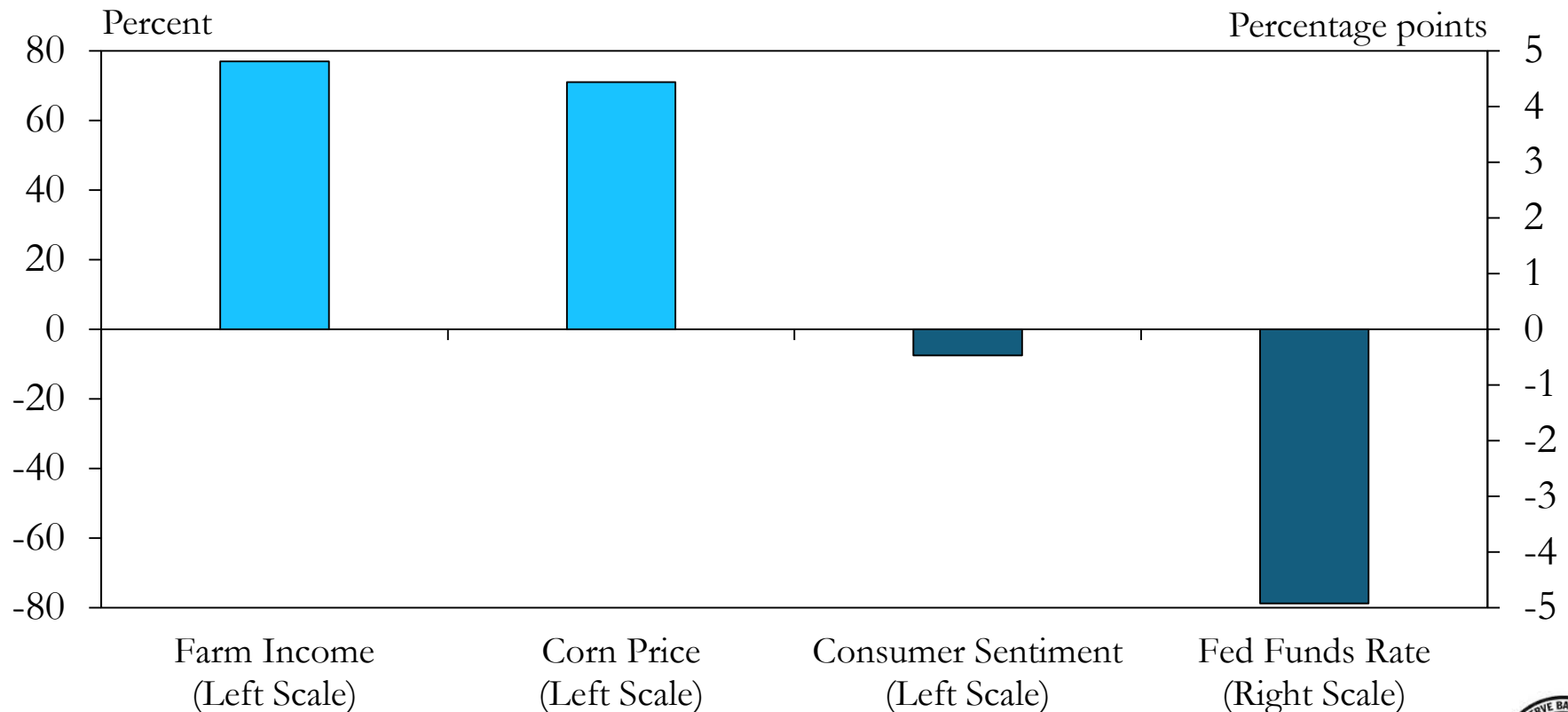
- The U.S. economy has gained momentum in recent years, in contrast to the outlook for agriculture and the rural economy.
- The U.S. farm sector continues to adjust to lower commodity prices, which have also impacted rural areas.
- Unemployment is low in both rural and urban areas. In addition to lower commodity prices, though, rural areas also face ongoing demographic and workforce challenges.



From 2007 to 2013, the ag economy outperformed the broader U.S. economy.

Indicators for Ag Economy and Broader U.S. Economy

Change from 2007 to 2013



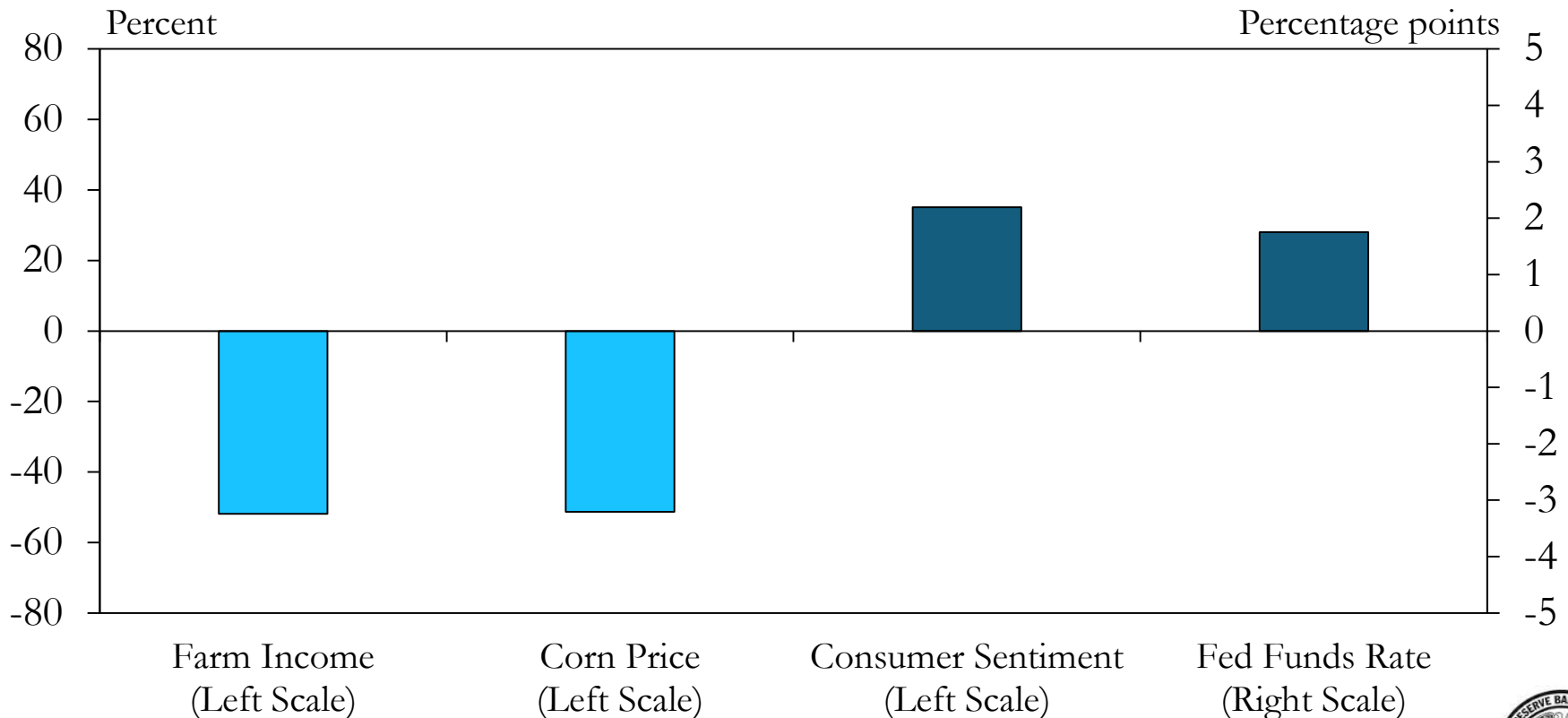
Source: USDA, University of Michigan, Federal Reserve Board, and Haver Analytics. FEDERAL RESERVE BANK OF KANSAS CITY



Since 2013, the outlooks have reversed.

Indicators for Ag Economy and Broader U.S. Economy

Change from 2013 – 2018

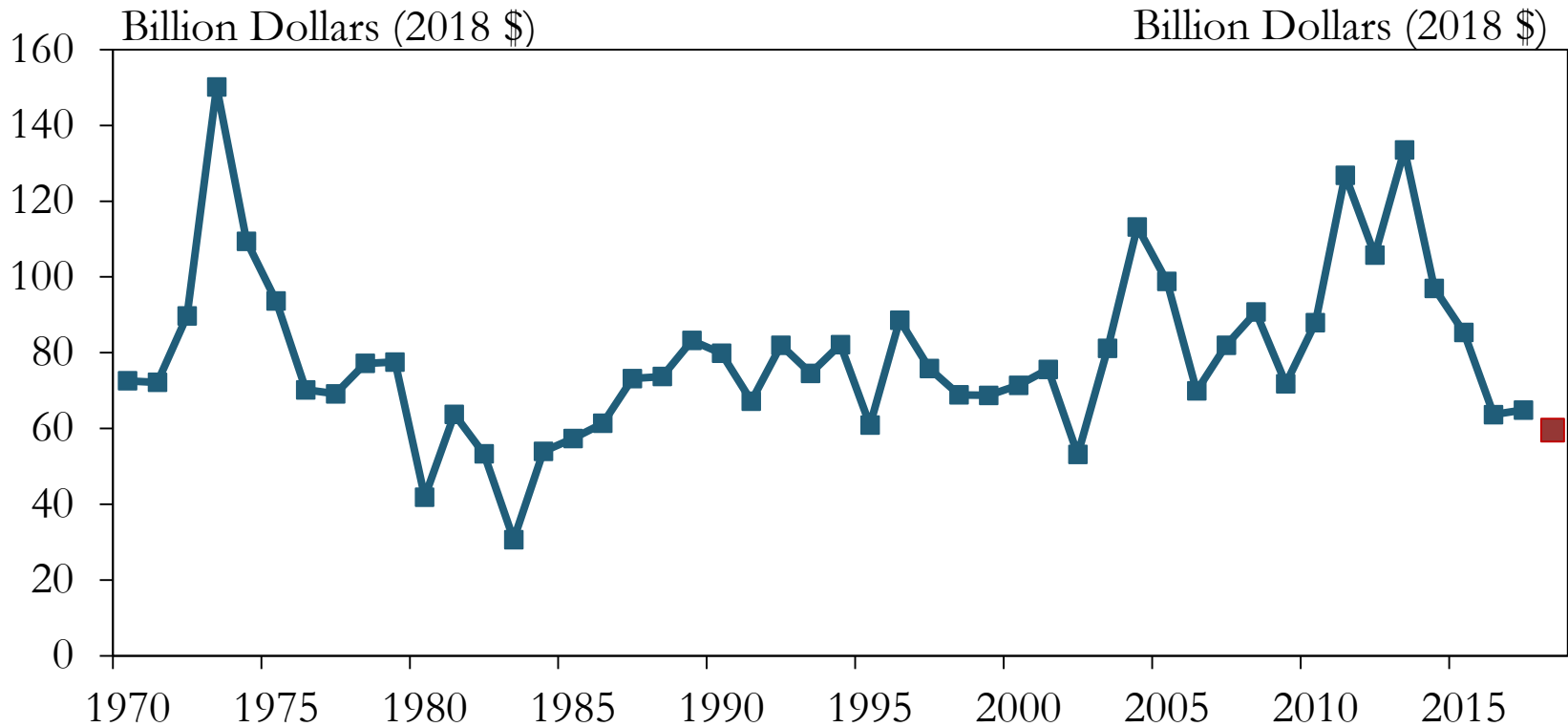


Source: USDA, University of Michigan, Federal Reserve Board, and Haver Analytics. FEDERAL RESERVE BANK OF KANSAS CITY



Farm income has dropped from recent highs and is expected to decline again in 2018.

U.S. Farm Income



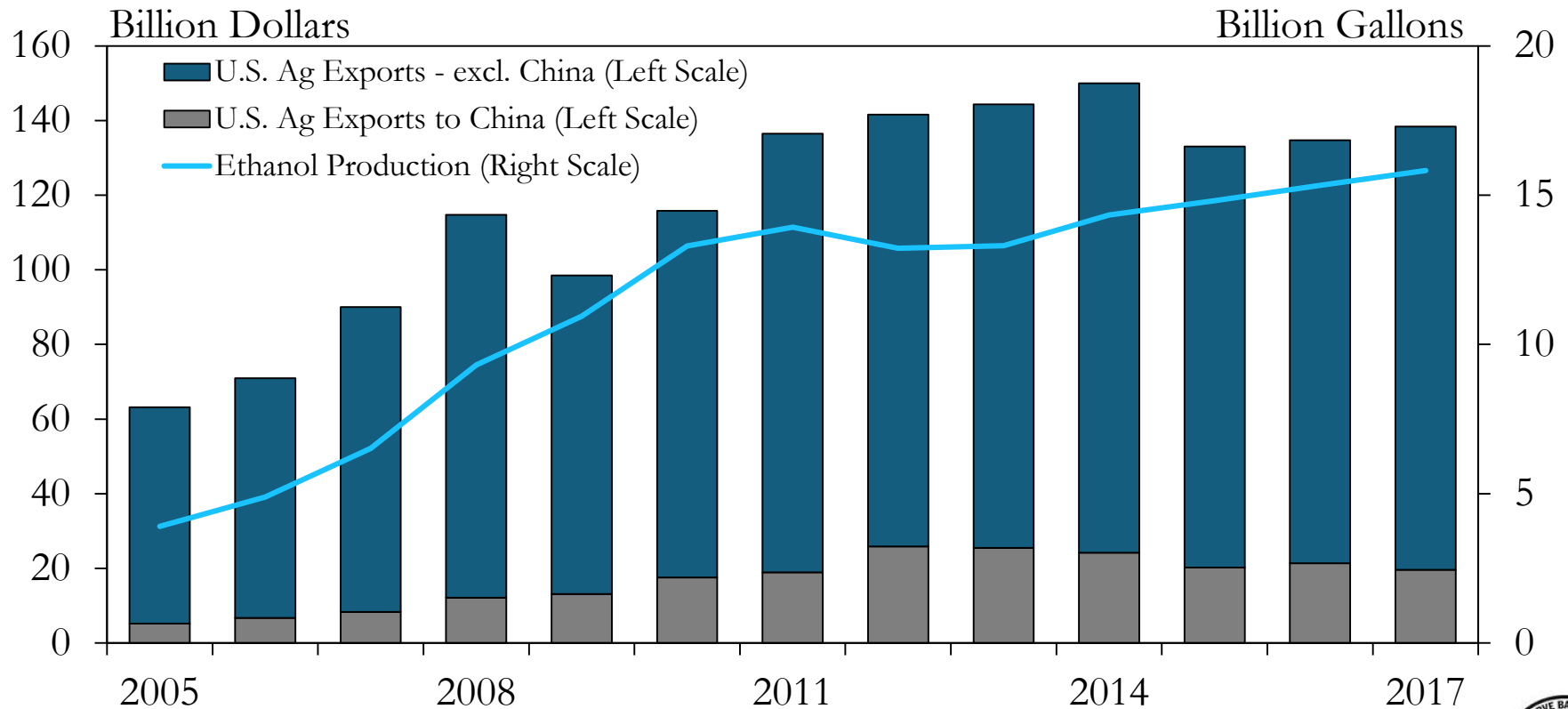
Source: USDA.

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Demand for agricultural products has been steady, and has even increased recently.

U.S. Agricultural Exports and Ethanol Production



Source: USDA, EIA, and Renewable Fuels Association.

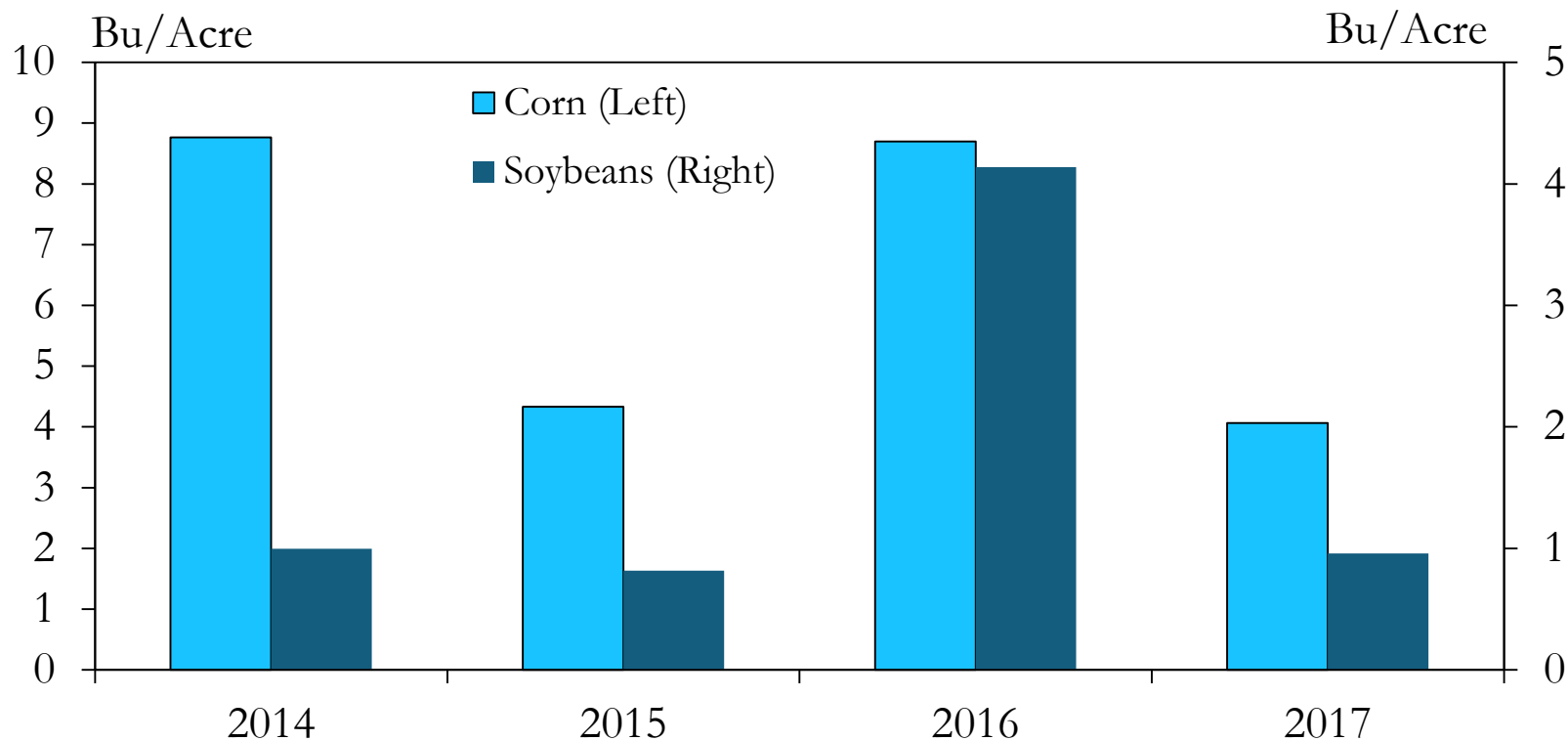
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But production of major ag commodities has been significantly higher than expected the last few years.

U.S. Corn and Soybean Yields

Deviation from Trend



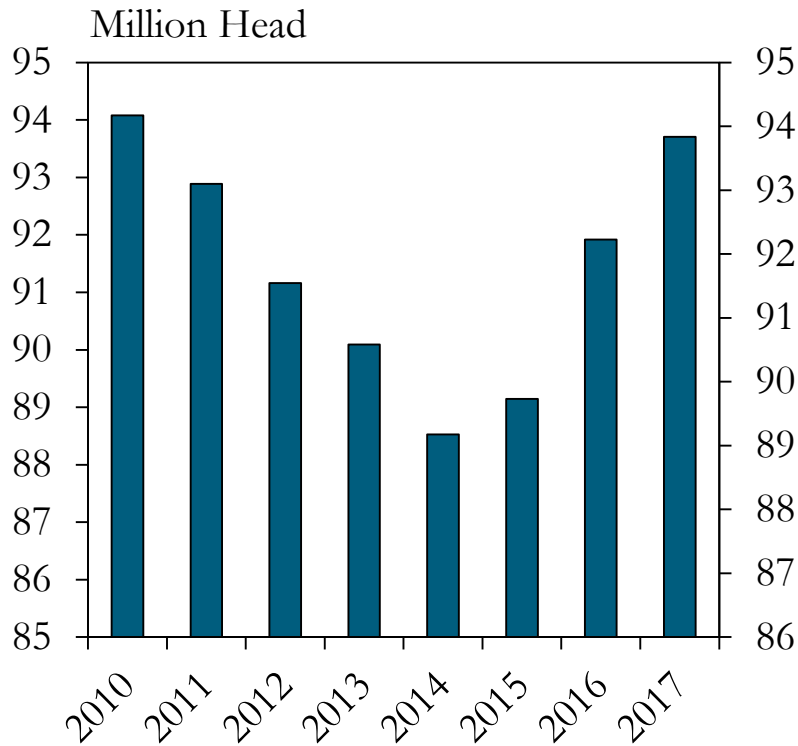
Source: USDA and staff calculations.

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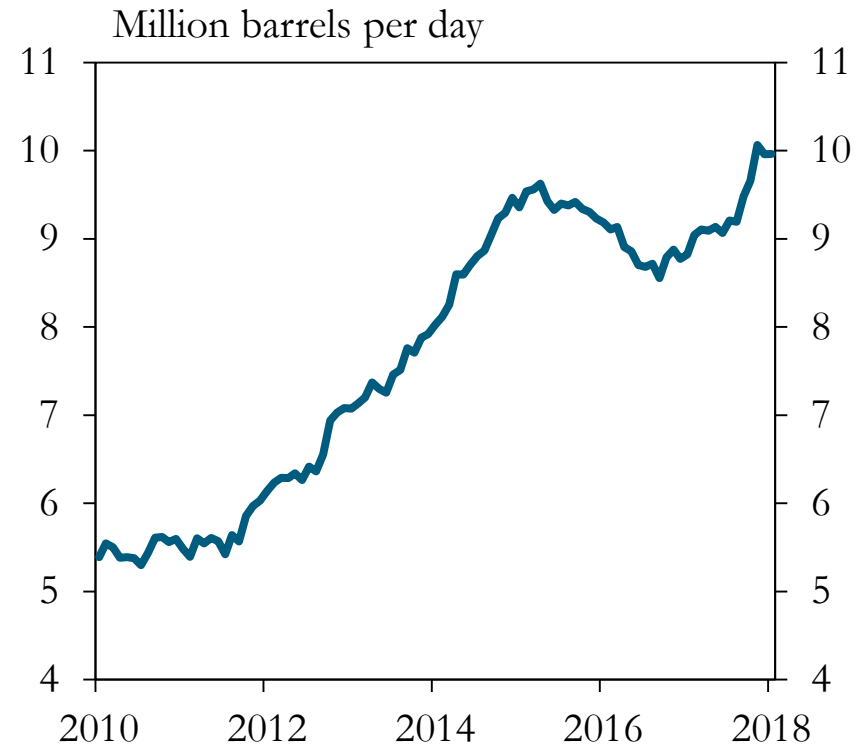
U.S. production of commodities especially relevant in Wyoming has also increased.

U.S. Cattle Inventory



Source: USDA.

U.S. Crude Oil Production

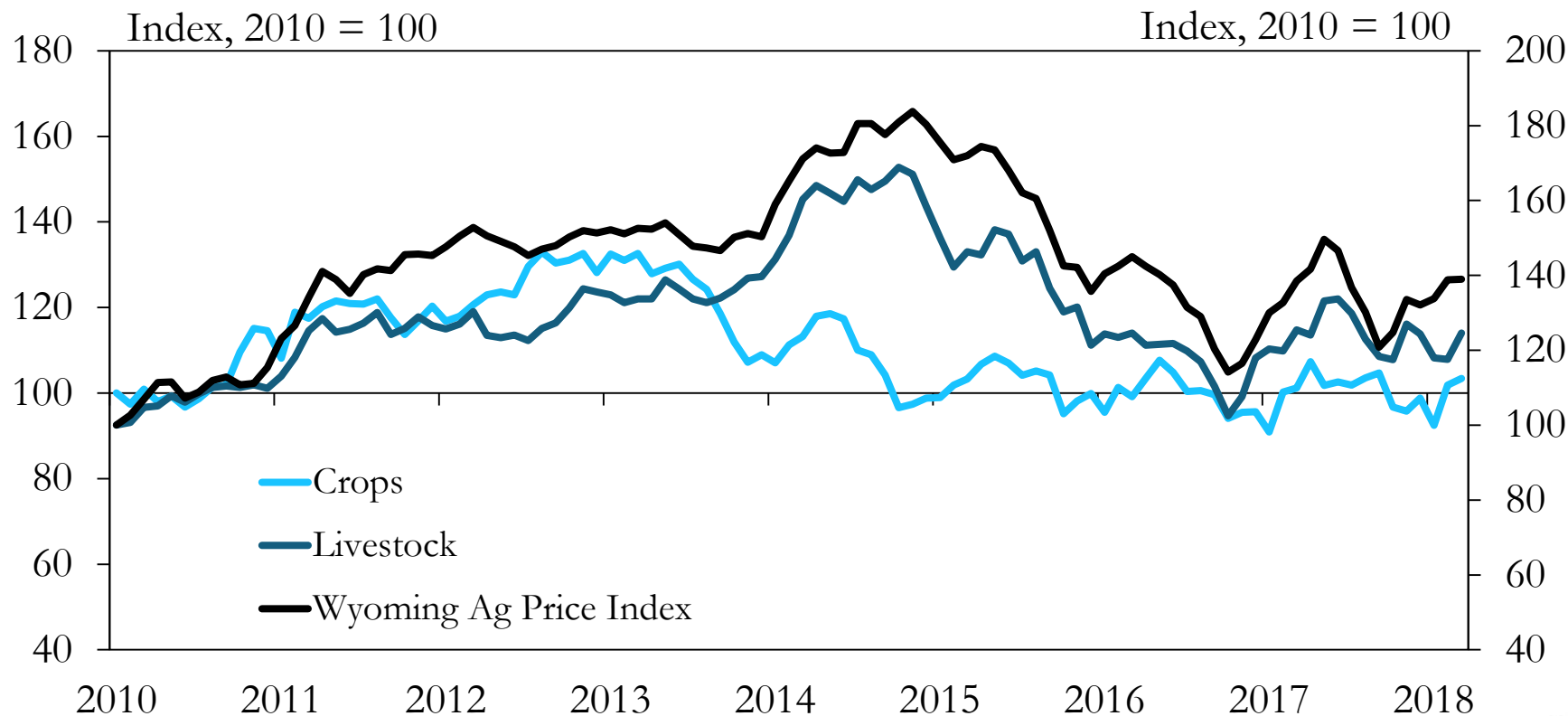


Source: Energy Information Administration.



As a result, agricultural commodity prices generally remain low and are a primary concern for the sector.

Agricultural Commodity Prices



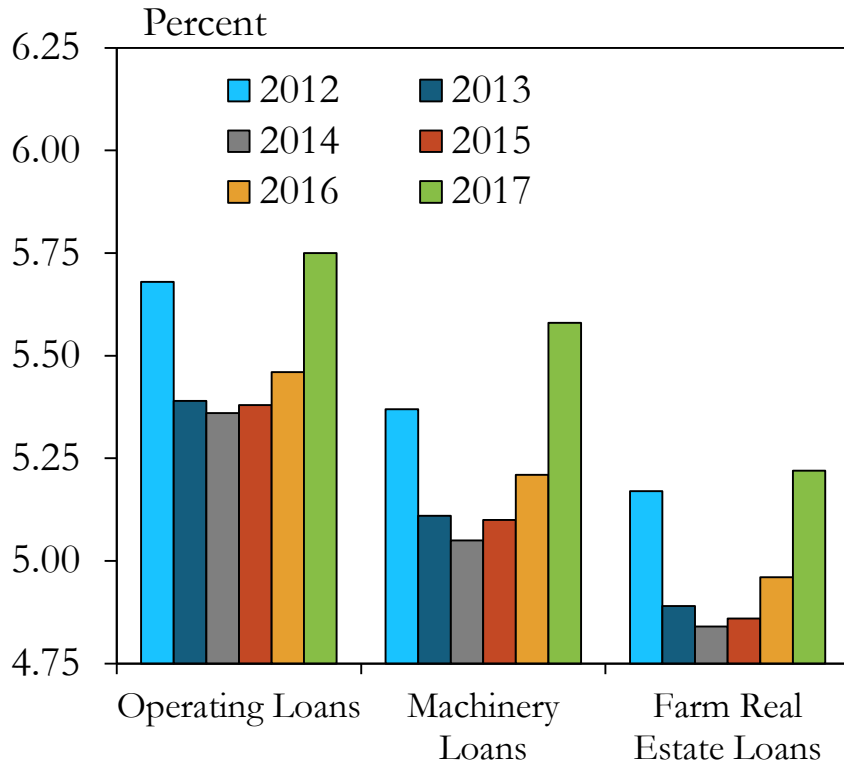
Source: USDA and staff calculations.

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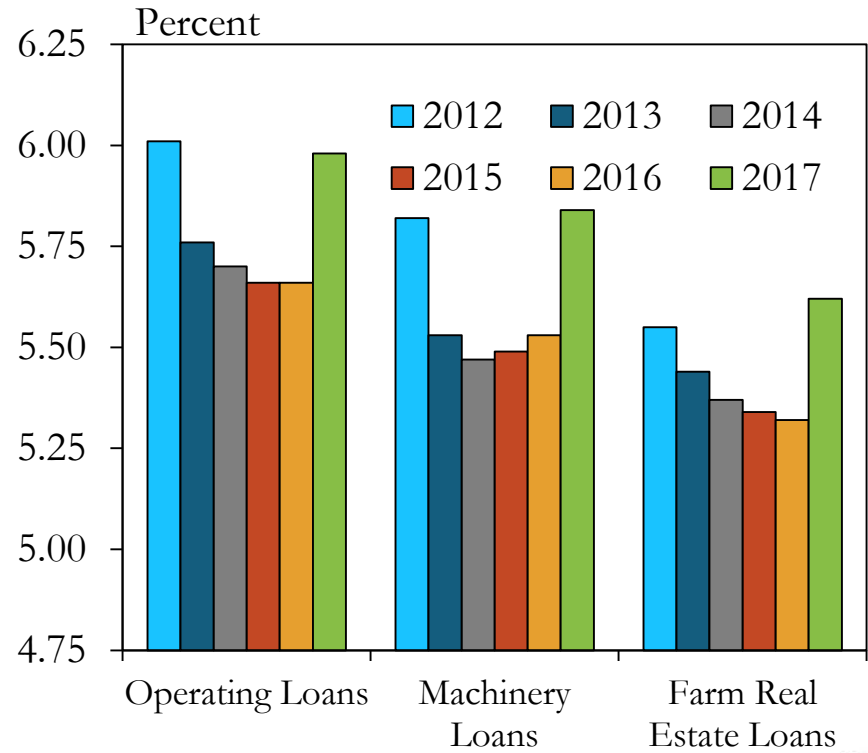


Rising interest rates are an additional headwind for some producers.

Variable Interest Rates
KC Fed District



Fixed Interest Rates
KC Fed District

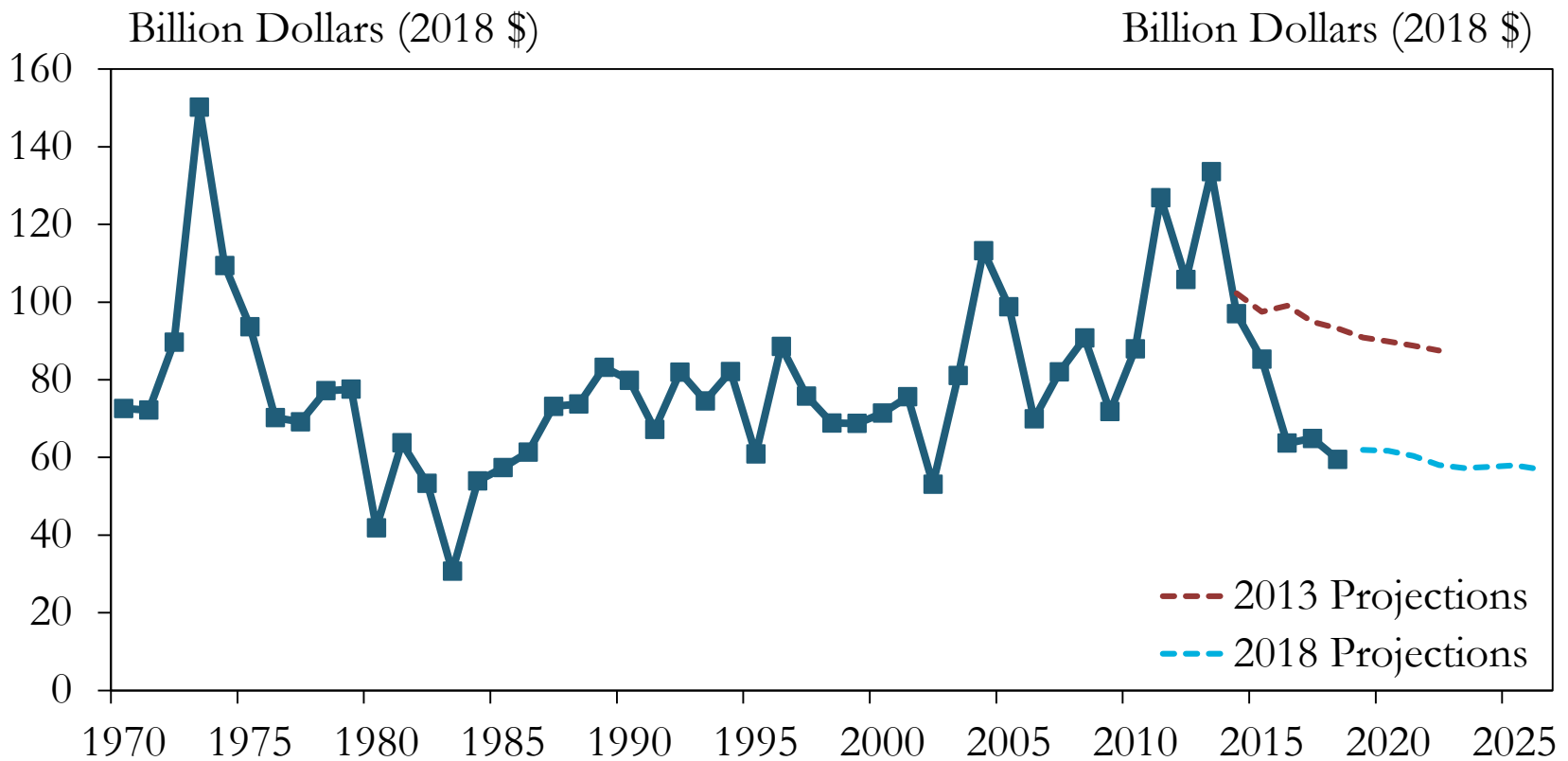


Source: Federal Reserve Bank of Kansas City.



Farm income is projected to remain low in the coming years.

U.S. Farm Income



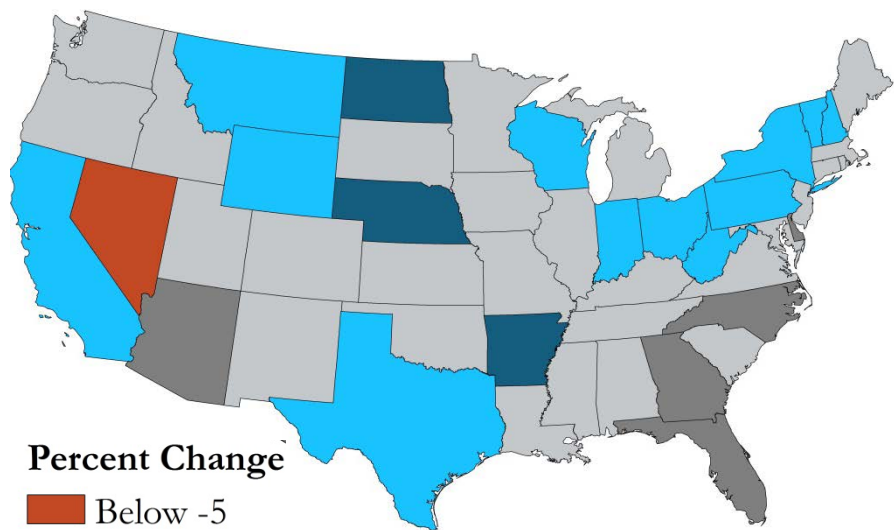
Source: USDA.

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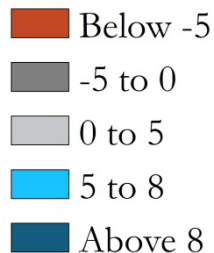


Changes in commodity prices have been a significant driver of incomes in rural areas.

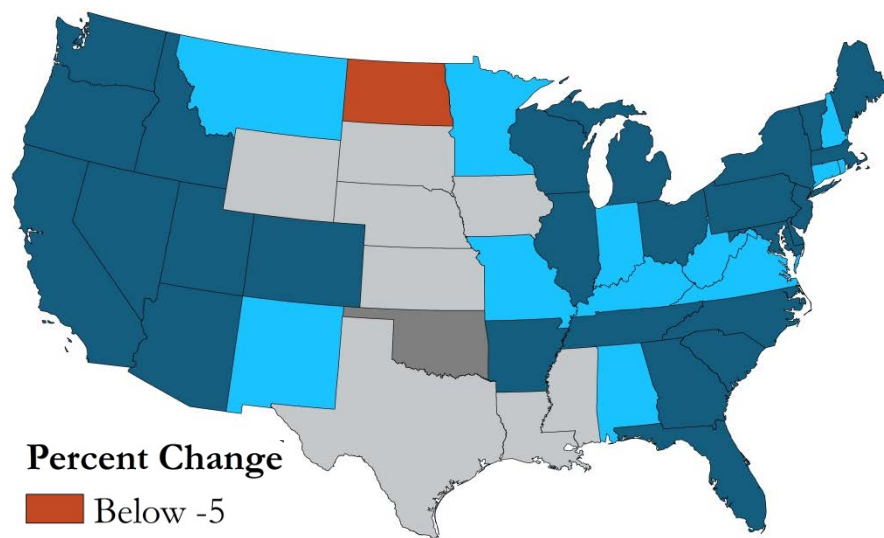
**Per Capita Personal Income,
2008 to 2012**



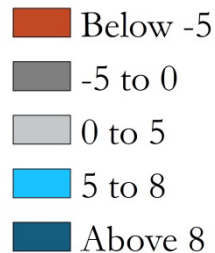
Percent Change



**Per Capita Personal Income,
2013 to 2017**

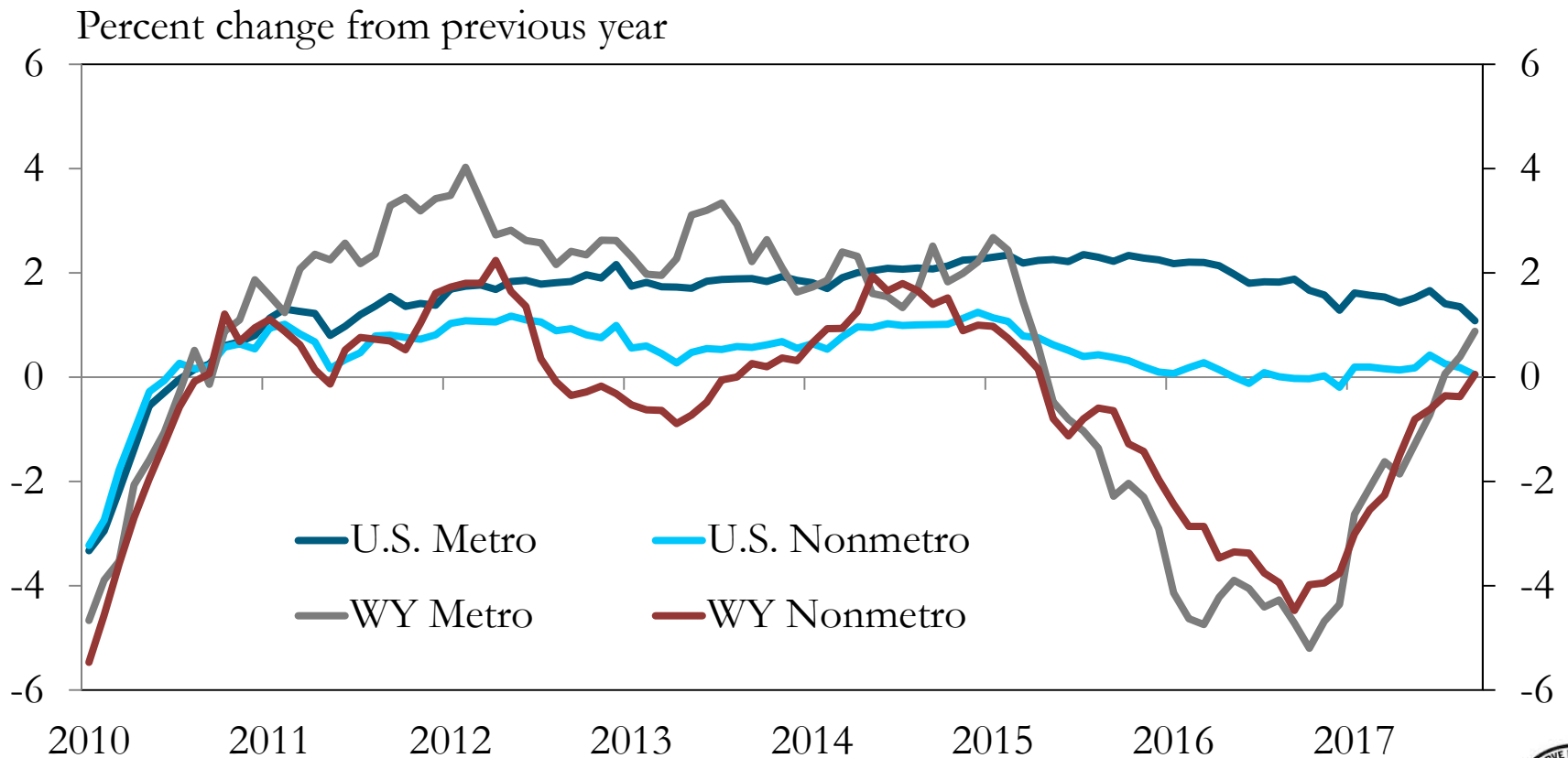


Percent Change



Over the past few years, employment growth in rural areas has been sluggish.

Metro and Nonmetro Employment



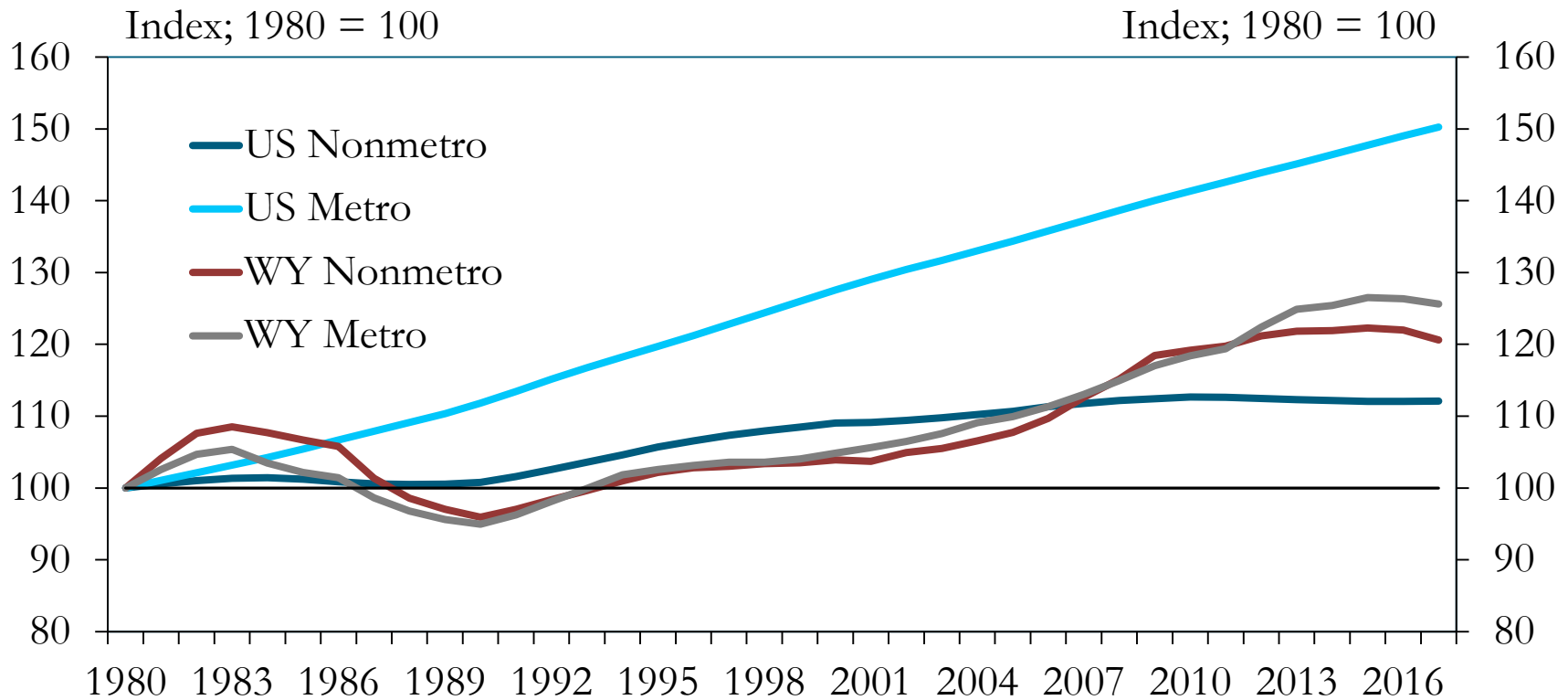
Source: BLS.

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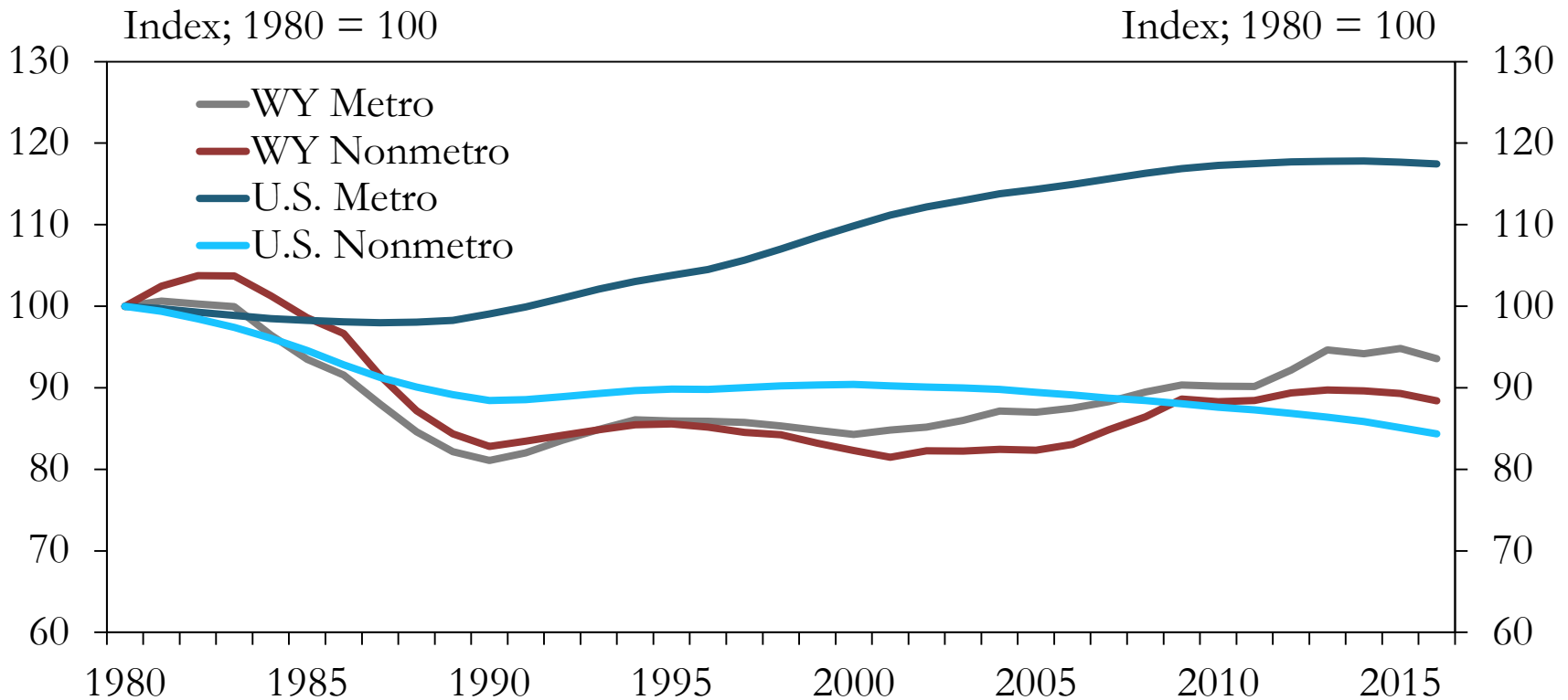
A significant part of the economic challenges in rural areas is workforce availability.

Population Trends



The number of youth living in rural areas has diminished relative to urban locations.

Under 25 Population Trends



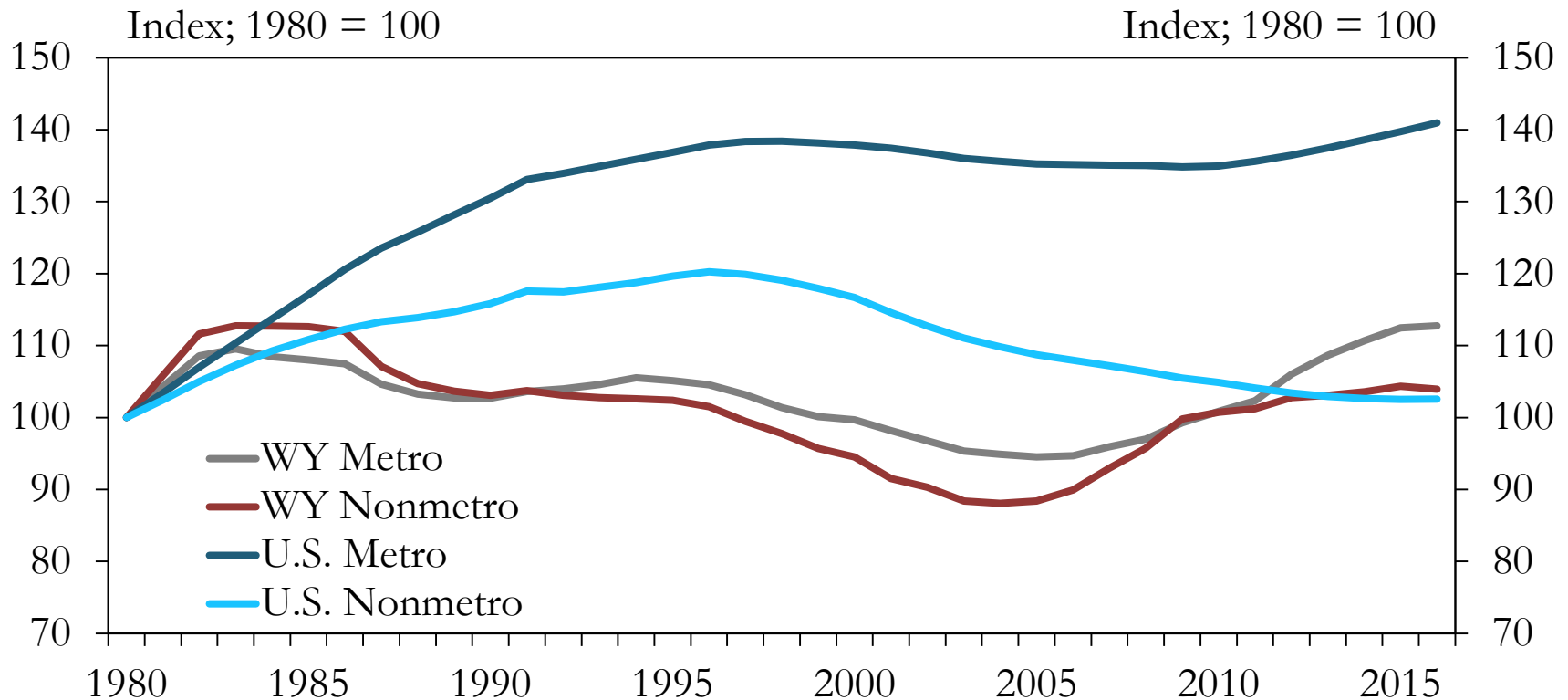
Source: Census Bureau, Haver Analytics.

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Young to mid-career individuals have also continued to take up residence in metropolitan areas.

25-44 Population Trends



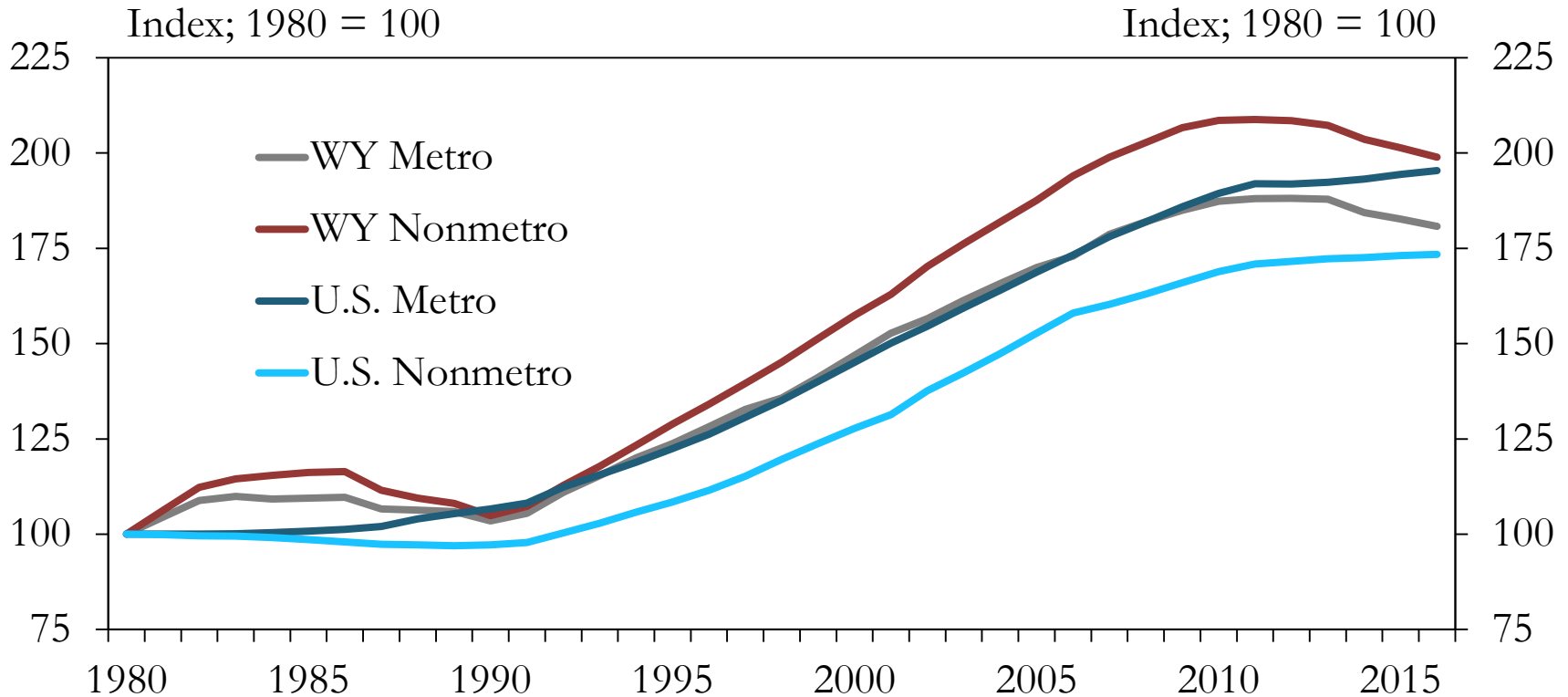
Source: Census Bureau, Haver Analytics.

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Meanwhile, the workforce in rural areas is ageing.

45-64 Population Trends



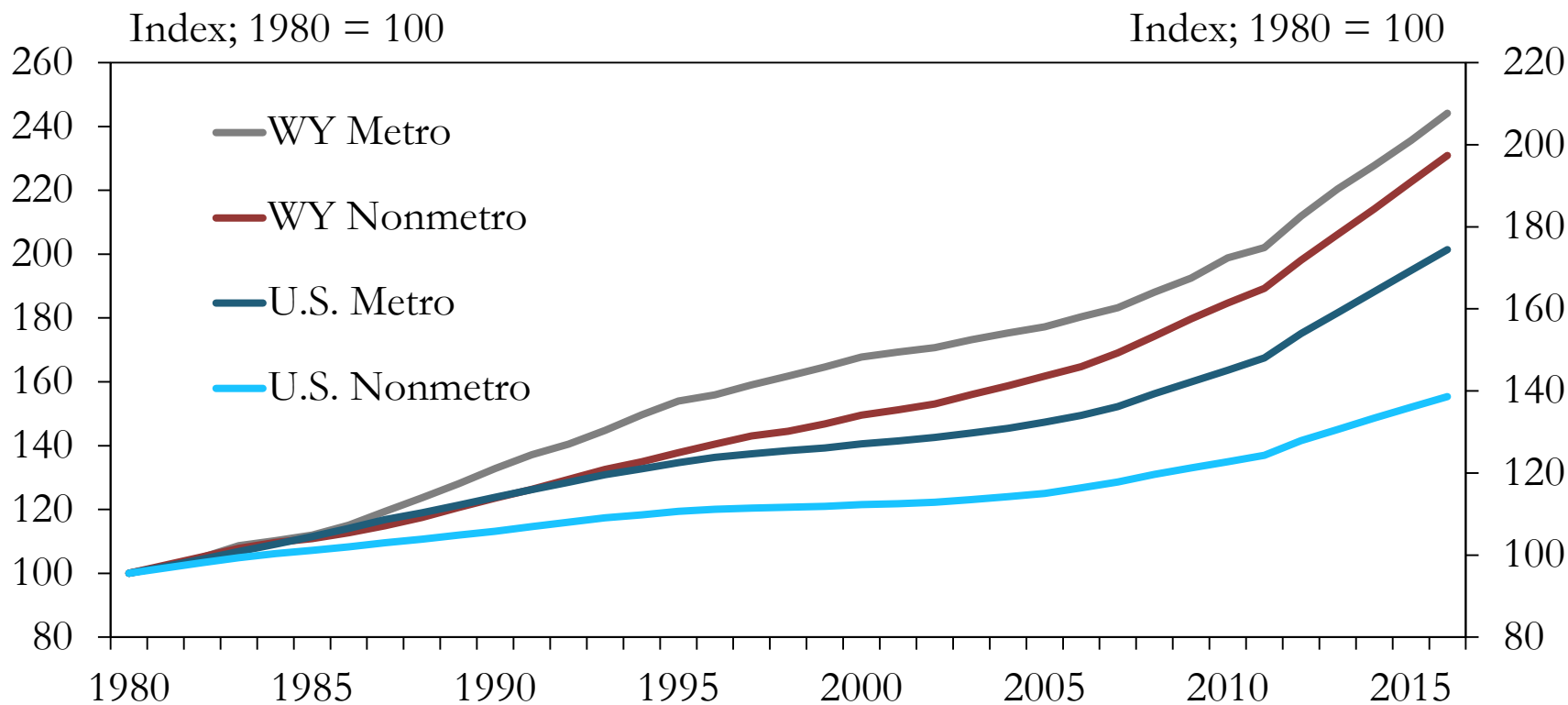
Source: Census Bureau, Haver Analytics.

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And the strongest population growth in rural areas is at retirement age.

65+ Population Trends



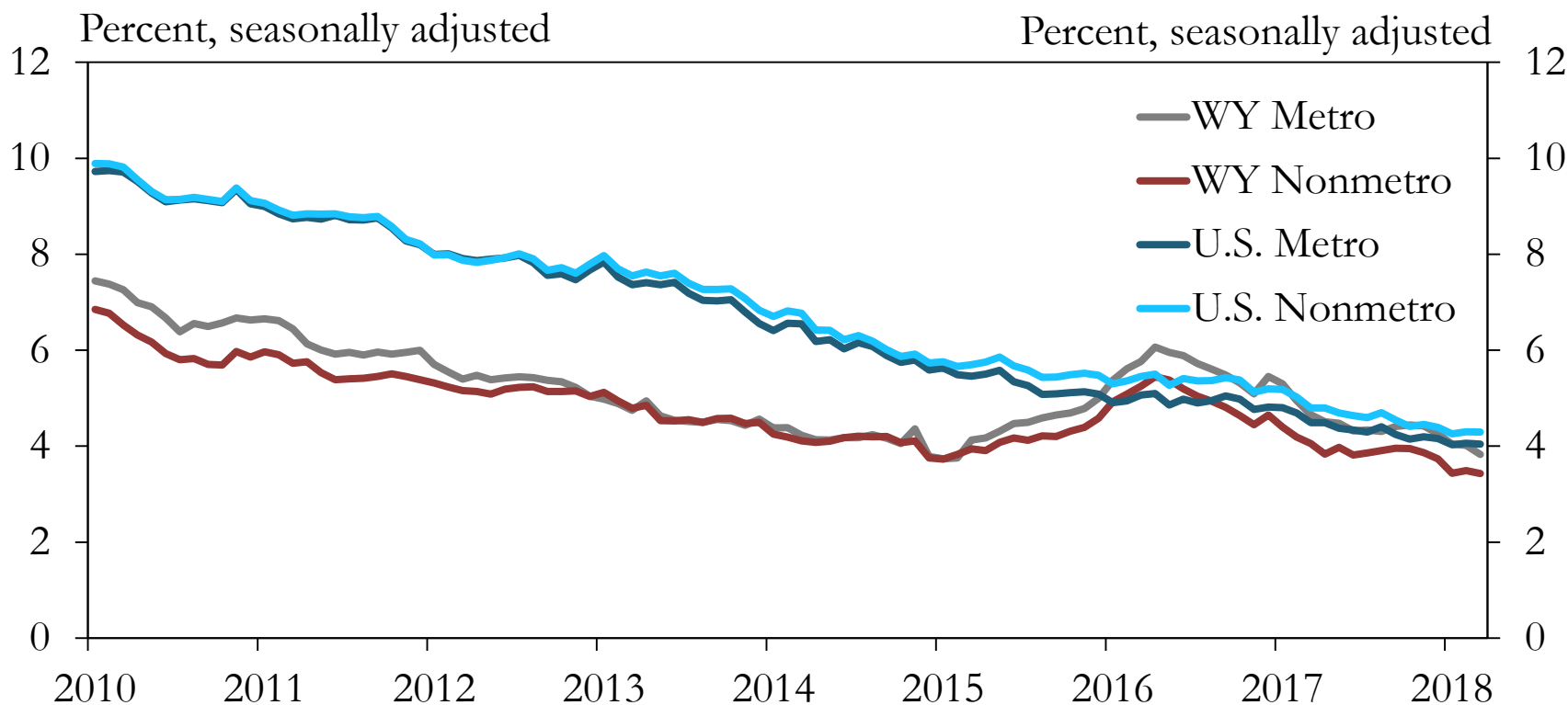
Source: Census Bureau, Haver Analytics.

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Along with job growth, demographics are an important component to labor market tightness.

Average Unemployment Rate in Wyoming by County



Source: BLS, Haver Analytics.

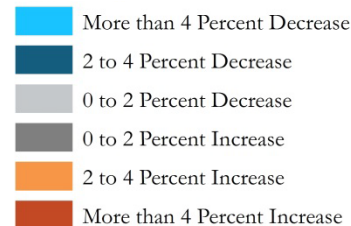
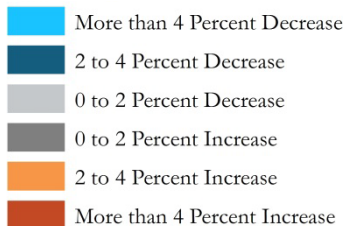
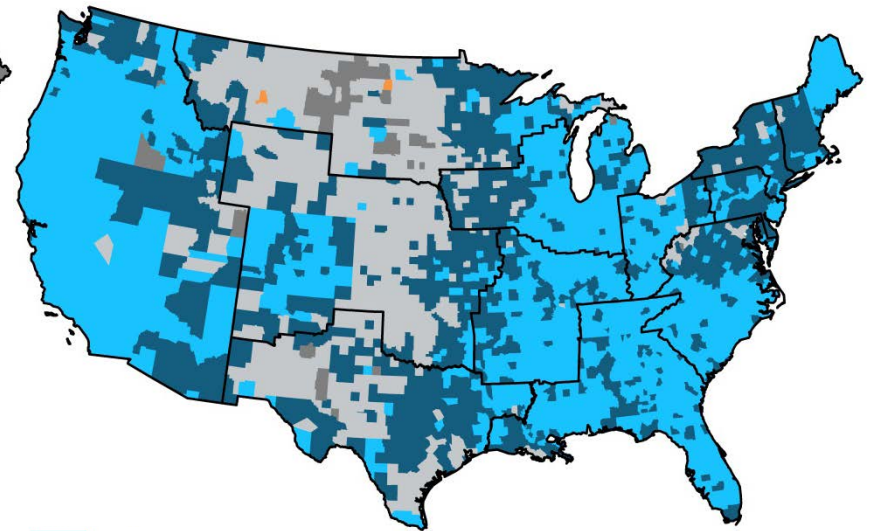
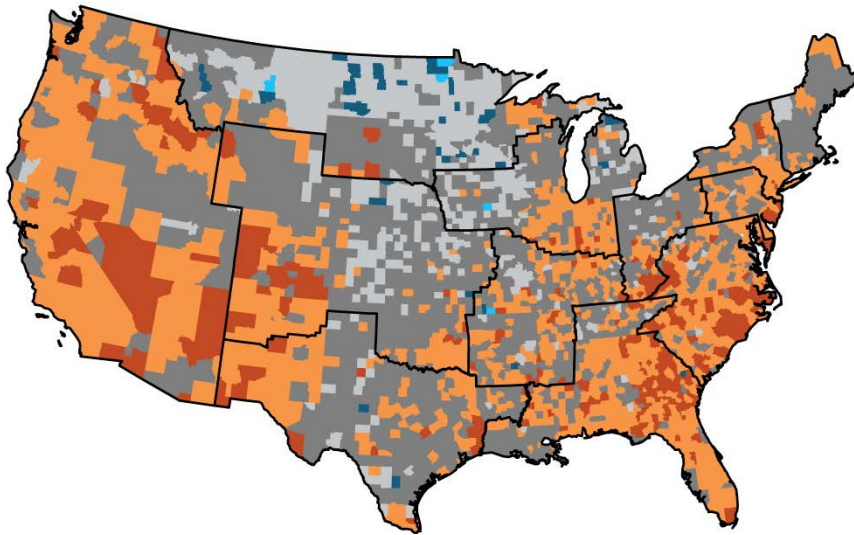
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It is also important to note significant regional variation during national recessions and expansions.

**Change in Unemployment Rate,
2008 to 2012**

**Change in Unemployment Rate,
2013 to 2018**



Concluding Remarks

- Following a period of extraordinary profits, the U.S. agricultural economy has been in a prolonged downturn that has affected the outlook for rural communities in the region.
- Some rural challenges, connected to commodity markets and their cycles, are not new.
- Increasingly, though, a challenge for rural areas of the KC Fed District is population decline and workforce availability.



Questions?

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