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Agricultural Earnings Highly Variable Over Time and by Sub-State Region

Bruce Johnson

University of Nebraska-Lincoln

Gibson Nene

University of Nebraska-Lincoln

Anneke Gustafson

University of Nebraska-Lincoln

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CORNHUSKER ECONOMICS

University of Nebraska–Lincoln Extension

Agricultural Earnings Highly Variable Over Time and by Sub-State Region

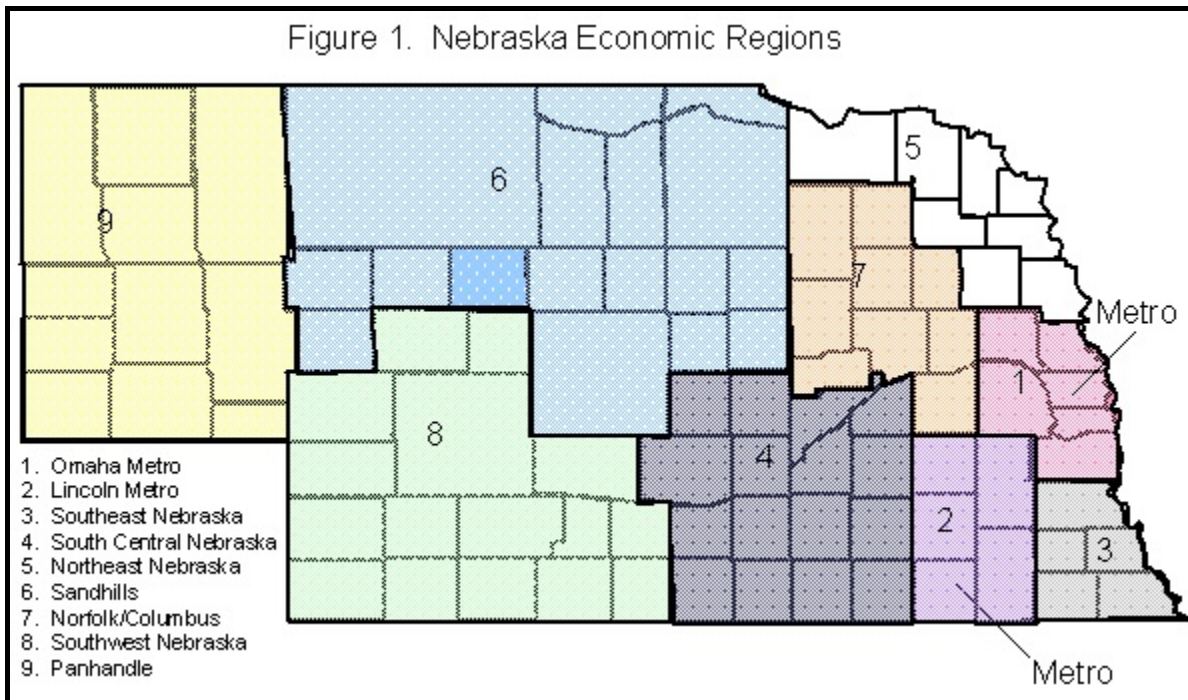
Market Report	Yr Ago	4 Wks Ago	9/8/06
<u>Livestock and Products,</u>			
<u>Weekly Average</u>			
Nebraska Slaughter Steers, 35-65% Choice, Live Weight	\$82.36	\$85.69	\$90.79
Nebraska Feeder Steers, Med. & Large Frame, 550-600 lb	129.43	*	132.66
Nebraska Feeder Steers, Med. & Large Frame 750-800 lb	121.55	118.23	124.02
Choice Boxed Beef, 600-750 lb. Carcass	134.89	146.70	148.06
Western Corn Belt Base Hog Price Carcass, Negotiated	64.25	69.81	69.33
Feeder Pigs, National Direct 45 lbs, FOB	49.94	49.98	52.66
Pork Carcass Cutout, 185 lb. Carcass, 51-52% Lean	72.32	73.28	74.94
Slaughter Lambs, Ch. & Pr., 90-160 lbs., Shorn, Midwest	93.00	93.00	97.75
National Carcass Lamb Cutout, FOB	245.18	223.85	235.31
<u>Crops,</u>			
<u>Daily Spot Prices</u>			
Wheat, No. 1, H.W. Imperial, bu	*	4.09	4.28
Corn, No. 2, Yellow Omaha, bu	1.64	1.97	2.00
Soybeans, No. 1, Yellow Omaha, bu	5.54	4.98	4.89
Grain Sorghum, No. 2, Yellow Columbus, cwt	2.63	2.96	3.34
Oats, No. 2, Heavy Minneapolis, MN , bu	1.71	2.04	2.12
<u>Hay</u>			
Alfalfa, Large Square Bales, Good to Premium, RFV 160-185 Northeast Nebraska, ton	117.50	135.00	135.00
Alfalfa, Large Rounds, Good Platte Valley, ton	37.50	87.50	87.50
Grass Hay, Large Rounds, Good Northeast Nebraska, ton	52.50	82.50	82.50
* No market.			

For anyone close to production agriculture it is obvious that income and earnings levels are highly fickle from one year to the next. This can be clearly seen in Nebraska's year-to-year total net farm income levels over the past decade, which have ranged from a low of \$813 million in 2002 to nearly \$3.4 billion in 1996 and again in 2004. But what about variation across the sub-state regions? And what economic impacts might these variations have for these regional economies?

Based on a recent study initiated and funded by the Nebraska Rural Initiative, we have, for the first time been able to regionalize the earnings associated with Nebraska's agricultural sector, and are able to better understand the impact that this sector has on these sub-state economies. We define net earnings as the summation of farm labor earnings, proprietor income and corporate farm income.

In Figure 1 on the next page, Nebraska's counties have been configured into nine sub-state regions that are essentially representative of labor market areas. Regions 1 and 2 are the state's two metropolitan regions and each represents a single labor market area. The other regions each contain from two to six labor market areas and represent the non-metropolitan areas of Nebraska. Each of these non-metropolitan regions includes one or more mid-sized municipalities.

Using these regions, we estimated the regional allocation of total net annual earnings for the year 2000, which represented one of the lowest years of net earnings for production agriculture at \$1.37 bi., and 2004, which was one of the sector's highest earning years at nearly \$3.37 bi. (Figure 2, next page). Clearly, from this pattern Regions 4, 5 and 8 are the state's major agricultural contributors in both low and high earning years. But even so, each region of the state, including the two metropolitan regions, contributes to the agricultural economy.



At the regional level the variation in contribution to the regional economy as well as the variation in that contribution from year-to-year can be seen by expressing these earnings in both an earnings per farm unit basis as well as a percentage of total regional personal income (Table 1). Earnings per farm unit range from lows of under \$20,000 in Regions 3 and 9 in 2000, to highs of more than \$98,000 for 2004 in Regions 5 and 8. In short, there are substantial differences in the economic conditions “down on the farm” depending on the year and the area of the state. Moreover, when considered as a component of the respective regional economy the economic implications of differences are compounded even more. As one would expect, the metropolitan regions, with their more diverse economies tend to experience only minor direct economic shock from the regional agricultural sector. In contrast, other regional economies will experience severe economic vibrations from the agricultural sector’s earnings performance. For example, Region 6, the Sandhills, saw a shift in the agricultural sector’s percentage contribution from less than 8 percent in 2000 to 23 percent in 2004. In other words, the agricultural sector accounted for more than 75 percent of the increase in this region’s total personal income from 2000 to 2004. Although not as profound as

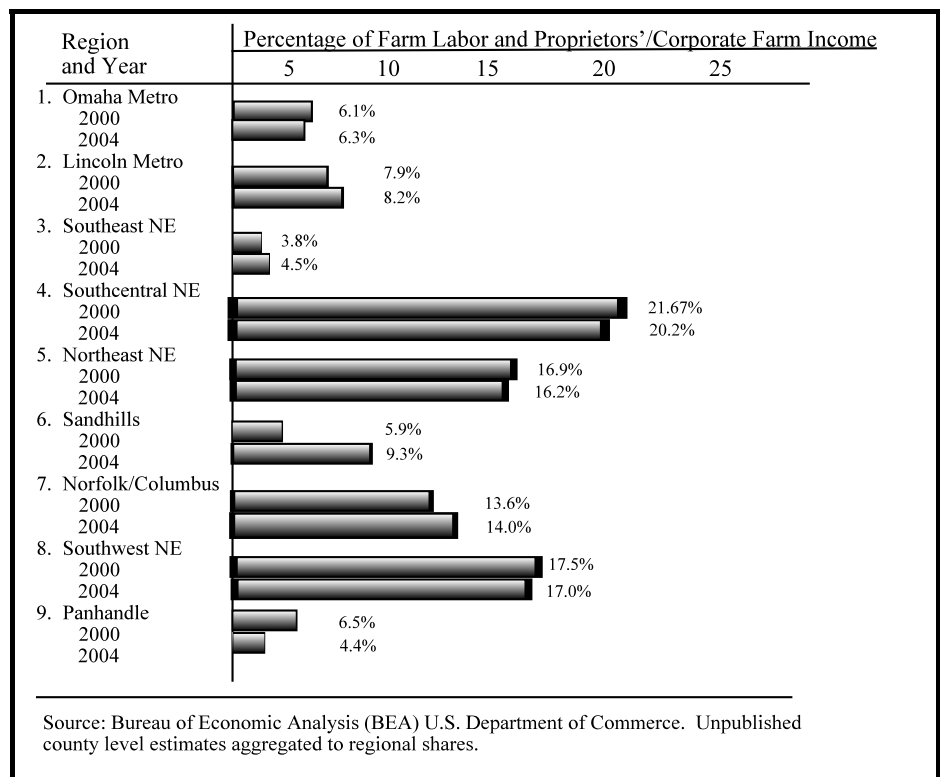


Figure 2. Estimated Percentage Distribution of Nebraska’s Total Farm Labor and Farm Proprietors’/Corporate Farm Income for 2000 and 2004

this, other regions also demonstrate high dependency upon production agriculture’s economic performance. And quite clearly, it is no over-statement that *agriculture is the number one industry* throughout much of Nebraska.

Table 1. Total Farm Labor Income, Proprietor Income and Corporate Farm Income by Sub-State Economic Regions in Nebraska, 2000 and 2004

Economic Region and Year		Farm Labor Income, Proprietor Income and Corporate Farm Income		
		Total Dollar Volume ^a	Average Income per Farm Unit ^b	Percentage of Total Regional Personal Income
		Million Dollars	Dollars	Percent
1. Omaha Metro	2000	84.2	20,700	0.4
	2004	211.6	52,600	0.8
2. Lincoln Metro	2000	109.1	22,100	1.2
	2004	277.0	52,700	2.6
3. Southeast Nebraska	2000	53.0	17,500	5.6
	2004	150.1	47,000	12.9
4. South Central Nebraska	2000	299.2	32,600	5.9
	2004	680.0	82,000	11.1
5. Northeast Nebraska	2000	233.5	42,600	13.0
	2004	545.1	98,600	25.1
6. Sandhills	2000	81.4	13,600	7.6
	2004	312.6	59,000	23.0
7. Norfolk/Columbus	2000	188.2	29,100	6.8
	2004	472.1	74,100	14.3
8. Southwest Nebraska	2000	241.0	37,900	8.9
	2004	572.6	100,100	18.0
9. Panhandle	2000	89.7	18,400	4.4
	2004	147.1	31,800	6.2
Nebraska	2000	1,379.4	27,400	2.9
	2004	3,368.1	69,700	6.0

^a Source: Estimates derived from county-level estimates by Bureau of Economic Analysis, U.S. Department of Commerce.

^b Derived by dividing total earnings from total farm unit numbers interpreted from 1997 and 2002 Census Reports.

Bruce Johnson, (402) 472-1794
 Professor, Dept. of Agricultural Economics
bjohnson2@unl.edu

Gibson Nene, Graduate Student
 Anneke Gustafson, Graduate Student
 Dept. of Agricultural Economics
 University of Nebraska–Lincoln