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Rural - Urban Interdependencies: What Can We Learn From Minnesota?

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CORNHUSKER ECONOMICS

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Rural - Urban Interdependencies: What Can We Learn From Minnesota?

In the current era of political hard choices driven by government austerity, it is not surprising to see a change in emphasis from statewide community collaboration and partnership to “every community for itself.” When tough choices at the state and regional level need to be made, one of the key issues is often where to put those limited resources . . . is it in rural areas **or** urban areas?

But what if we stepped back and approached this in a different way . . . instead of considering resource allocation in terms of rural **or** urban, what if we approached it as rural **and** urban? Instead of treating rural and urban as separate entities, what if we took a closer look at the interdependencies of these economics? Is there a way to understand the leveraging and power of rural-urban connections and resources?

The first step in answering this question may be the recent report, *Pilot Study: Estimating Rural and Urban Minnesota’s Interdependencies*, (Searles, 2011). It illustrates the economic importance of rural Minnesota to all of Minnesota’s economic health and well-being. It also provides measures of how rural-urban linkages drive wealth and innovation in that state’s economy.

How the Study Was Conducted

The project used cluster analysis tools provided by the Innovation in American Regions Project to arrive at estimates of the distribution of jobs between the Twin Cities region (eight counties representing the “urban” component), and the rest of Minnesota (the remaining 80 counties). One cluster was selected (manufacturing), and input-output analysis was conducted to arrive at estimates of the linkages between rural and urban businesses and economies. Finally, they compared two clusters (manufacturing and agribusiness), in terms of the nature of their rural-urban linkages and their general contributions to the economic vitality for Minnesota as

Market Report	Yr Ago	4 Wks Ago	5/6/11
<u>Livestock and Products,</u>			
<u>Weekly Average</u>			
Nebraska Slaughter Steers, 35-65% Choice, Live Weight.	\$99.71	\$123.34	\$115.38
Nebraska Feeder Steers, Med. & Large Frame, 550-600 lb.	127.13	166.11	159.52
Nebraska Feeder Steers, Med. & Large Frame 750-800 lb.	120.22	136.92	*
Choice Boxed Beef, 600-750 lb. Carcass.	170.71	191.36	180.27
Western Corn Belt Base Hog Price Carcass, Negotiated.	85.36	88.70	89.06
Feeder Pigs, National Direct 50 lbs, FOB.	*	*	*
Pork Carcass Cutout, 185 lb. Carcass, 51-52% Lean.	90.00	94.64	91.10
Slaughter Lambs, Ch. & Pr., Heavy, Wooled, South Dakota, Direct.	*	179.50	193.75
National Carcass Lamb Cutout, FOB.	301.85	399.22	409.94
<u>Crops,</u>			
<u>Daily Spot Prices</u>			
Wheat, No. 1, H.W. Imperial, bu.	3.96	7.89	7.50
Corn, No. 2, Yellow Omaha, bu.	3.58	7.44	6.79
Soybeans, No. 1, Yellow Omaha, bu.	9.51	13.69	13.36
Grain Sorghum, No. 2, Yellow Dorchester, cwt.	5.64	12.38	10.73
Oats, No. 2, Heavy Minneapolis, MN, bu.	2.04	3.93	3.40
<u>Feed</u>			
Alfalfa, Large Square Bales, Good to Premium, RFV 160-185 Northeast Nebraska, ton.	135.00	140.00	140.00
Alfalfa, Large Rounds, Good Platte Valley, ton.	92.50	72.50	77.50
Grass Hay, Large Rounds, Premium Nebraska, ton.	*	*	*
Dried Distillers Grains, 10% Moisture, Nebraska Average.	115.00	222.50	217.50
Wet Distillers Grains, 65-70% Moisture, Nebraska Average.	36.00	74.50	80.00
*No Market			



a whole. A more detailed description of the process can be found online at:

http://mnruralpartners.files.wordpress.com/2011/02/rurb-02_11-final.pdf

Selected Key Findings

- Rural Minnesota provides critical employment in a number of the most sought after industry sectors. Forty percent of Minnesota's total employment in 17 targeted industry clusters takes place in rural Minnesota.
- Well over half of the state's jobs in the following cluster are located outside the urban region: education and knowledge creation; energy (fossil and renewable); arts, entertainment, recreation and tourism; agribusiness, food processing and technology; forest and wood products; class and ceramics; and mining.
- Forty-seven percent of Minnesota's manufacturing cluster output originates in rural Minnesota.
- Minnesota's urban region receives substantial economic benefits from improved prosperity among its rural neighbors. If rural Minnesota's manufacturing cluster experiences a six percent growth in output (\$1 billion), the urban area picks up 16 percent of all the jobs gained and 38 percent of all additional output. The reverse is also true: a \$1 billion decrease in manufacturing output in rural Minnesota results in 1,043 jobs lost, and a loss of \$207,822,848 in revenue among Twin Cities area businesses.
- The urban jobs added due to rural output increases were very similar between agribusiness and manufacturing. Seven of the Top Ten Sectors for job growth were identical. These seven sectors account for about 40 percent of the urban job growth for both manufacturing and agribusiness clusters.

Conclusions

The report makes two general conclusions:

1) The economic dependence of urban Minnesota on rural Minnesota is real, measurable and significant. Development dollars spent in rural Minnesota will benefit both urban and rural businesses and populations.

2) All development investments will not have identical impacts on rural-urban trade flows and job creation. While two stones of the same size dropped into the same pond might create identical ripple effects, economic development investments into rural

Minnesota will have very different impacts (both within the rural region and on urban centers), on business and consumer spending and job creation based on the specific industrial cluster targeted.

Planners can anticipate varying "formulas" for impacts to business and consumer spending and new jobs creation, subsequent to a change in output for specific industry clusters. Increasing the output of some clusters will generate relatively more new part-time local jobs, a desirable feature in some regions. Likewise, by stimulating the output of another industry cluster, planners can expect to see relatively more full-time urban and rural positions.

Food for Thought . . .

We all realize that there are major differences between Minnesota and Nebraska, but the article has us thinking about potential similarities. As a result of this initial study, it may be to our benefit in the future to remember these words:

" . . . there is a high degree of connectedness between metropolitan and rural America. No bright lines separate the two types of areas, either geographically or economically. If metropolitan America is to drive national prosperity, metropolitan areas will need a healthy and sustainable rural economy and culture. Likewise, if rural America is to flourish, it will surely depend on vibrant, well-functioning cities and suburbs." (Dabson, 2007).

References:

- Dabson, B., (2007). *Rural-Urban Interdependence: Why Metropolitan and Rural America Need Each Other*. The Blueprint for American Prosperity, Metropolitan Policy Program. The Brookings Institute, November, p. 3.
- Searls, Kate, (2011). *Pilot Study: Estimating Rural and Urban Minnesota's Interdependencies*, Minnesota Rural Partners, Inc. Retrieved May 5, from: http://mnruralpartners.files.wordpress.com/2011/02/rurb-02_11-final.pdf

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