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Poverty in Nebraska

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Cornhusker Economics

Cooperative Extension

Institute of Agriculture & Natural Resources
Department of Agricultural Economics
University of Nebraska – Lincoln

Poverty in Nebraska

Market Report	Yr Ago	4 Wks Ago	10/15/04
<u>Livestock and Products,</u>			
<u>Weekly Average</u>			
Nebraska Slaughter Steers, 35-65% Choice, Live Weight	\$112.33	\$84.12	\$84.65
Nebraska Feeder Steers, Med. & Large Frame, 550-600 lb	109.99	127.52	124.27
Nebraska Feeder Steers, Med. & Large Frame 750-800 lb	111.64	119.17	117.93
Choice Boxed Beef, 600-750 lb. Carcass	194.32	133.95	137.28
Western Corn Belt Base Hog Price Carcass, Negotiated	52.24	76.97	67.65
Feeder Pigs, National Direct 45 lbs, FOB	36.11	46.77	49.95
Pork Carcass Cutout, 185 lb. Carcass, 51-52% Lean	62.26	73.69	75.65
Slaughter Lambs, Ch. & Pr., 90-160 lbs., Shorn, Midwest	88.62	93.00	88.50
National Carcass Lamb Cutout, FOB	213.15	217.06	219.88
<u>Crops,</u>			
<u>Daily Spot Prices</u>			
Wheat, No. 1, H.W. Omaha, bu	3.23	3.46	3.31
Corn, No. 2, Yellow Omaha, bu	2.00	1.99	1.77
Soybeans, No. 1, Yellow Omaha, bu	7.10	5.07	4.74
Grain Sorghum, No. 2, Yellow Columbus, cwt	3.50	2.95	2.84
Oats, No. 2, Heavy Minneapolis, MN, bu	1.52	1.84	1.62
<u>Hay</u>			
Alfalfa, Large Square Bales, Good to Premium, RFV 160-185 Northeast Nebraska, ton	115.00	117.50	115.00
Alfalfa, Large Rounds, Good Platte Valley, ton	62.50	62.50	62.50
Grass Hay, Large Rounds, Good Northeast Nebraska, ton	65.00	57.50	57.50
* No market.			

"Five Nebraska counties are among the nation's poorest 12 counties" (Lincoln Journal Star, July 18, 2004) ..." 'Some of the bigger ranchers here, they didn't like it at all being called the poorest,' said Van Diest, 68, (Loup County Commissioner, Wade) adding that he's been puzzled by how Loup County got the No.1 ranking." (Omaha World Herald, July 17, 2004).

These comments were typical of those in response to a federal report released in July, 2004. Some people are indignant, others are puzzled. Which areas of Nebraska really are the poorest, how poor are they, and why? A clear understanding of these questions is important in considering policies to assist poor areas, yet even the basic poverty indicators seem to be in conflict.

The table on the next page shows Nebraska's "top ten" poor counties in 2000 - as measured by one or more of three poverty indicators. The first ten listed are lowest in average per capita income, the stimulus for the quotes above. Five of these are among the poorest eleven counties in the country. But other indicators of poverty are available: the absolute number of persons living in poverty, the percent of the population in poverty, and median household income.

Inconsistencies in the rankings by these measures abound. Grant County was fourth worst in terms of per capita income and fifth poorest in the U.S. by that measure, but Grant County was above the Nebraska average in household income and in percent in poverty. Keya Paha County had the worst poverty in terms of median household income, but eight others had lower per capita income and 81 other counties had more people living in poverty. Thurston County was at the bottom in terms of percentage of the population living in poverty, but 15 counties had lower per capita income.

We should note that 40 percent of Nebraskans who live in poverty reside in Douglas and Lancaster counties. The eighteen other top ten counties in the table, combined, account for only 5.4 percent of poverty-stricken Nebraskans. Clearly, each of the measures (average per capita income, median household income, number in poverty, percentage in poverty) has some relevance to public policy addressed to poverty, but no single one tells all.

Several factors are involved in the differences in rankings among these measures. First, **income averages are sensitive to the distribution of income** - the effect of a few very high

incomes can be dramatic. The average per capita incomes in all eighteen counties are above the federal poverty level, so no one would be in poverty if income were distributed equally within the county. Median household income on the other hand, shows the level dividing the top half from the bottom half. The lowest median income among these counties is above the poverty level, but exactly half of the households earn less than that.

Second, **the amount of income is only an estimate.** Per capita incomes are estimated by the Bureau of Economic Analysis (BEA). The BEA estimates the total amount of personal income *of all types* in every county as a part of its calculation of the national income accounts. BEA has no idea how much income you, the reader, earns. They estimate total county income from such sources as unemployment insurance reports, social security administration, USDA reports, the IRS, government payrolls, etc. To obtain per capita income, BEA divides that county income estimate by the total number of residents in the county (regardless of age, whether or not retired or institutionalized, etc.).

The Census Bureau estimates **poverty statistics** by actually asking some households how much they earn. Each year the Bureau questions about 55,000 households, drawn randomly from among the 105 million households in the U.S., to determine their income (*excluding capital gains and non-money income* such as food stamps and housing subsidies). The sampled households are in 754 geographical areas called "Primary Sample Units" or PSU's, that are in turn drawn randomly from 2,007 such units that comprise the entire U.S. The Bureau notes the number and ages of people in each household and determines which households are below the poverty threshold. The **poverty threshold** varies according to household composition, but in 2000 it was \$13,470 for two adults and a child - anywhere in the U.S. Based on a statistical analysis of the sampled households and some other data, the Census Bureau *predicts* household income and the percent of

persons in poverty for every county in the U.S. Although Nebraska always has 11 of its 33 PSU's included in the survey, it's likely that few or none of the rural counties in our table were included for the 2000 estimates.

The official estimates of poverty in Nebraska counties are therefore just that - estimates subject to sampling and prediction errors. The estimates of per capita personal income (PCPI) are also estimates. PCPI includes estimates of capital gains income, food stamps and other non-money income that are ignored in estimates of household income. In addition, differences between average PCPI and average household income in a given county can be greatly affected by age distribution, and by the number of institutionalized residents (in colleges, military installations, nursing homes, etc.).

Loup County may not have been the poorest in the U.S. in 2000, despite its per capita income ranking. It ranks better by official poverty measures, and the estimated number in poverty is small relative to other counties. Nevertheless, these indexes point toward a need for more in-depth analysis based on direct household information. We may then have an answer for the 'puzzle' posed by Mr. Van Diest.

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Nebraska's Top Ten Poor Counties, 2000									
County	Per Capita Personal Income (BEA)			Number in Poverty (Census)		Percent in Poverty (Census)		Household Income (Census)	
	Average	US rank	NE rank	Number	NE rank	percent	NE rank	Median	NE rank
Loup	\$7,459	1	1	109	85	15.1	6	\$26,558	2
Arthur	\$8,939	2	2	44	93	10.5	47	\$27,315	5
Blaine	\$9,640	4	3	103	86	18.6	2	\$27,177	4
Grant	\$9,669	5	4	74	91	9.9	57	\$34,553	50
McPherson	\$11,657	11	5	70	92	13	17	\$27,681	7
Hooker	\$13,205	19	7	83	90	11.4	36	\$29,605	16
Thomas	\$15,293	91	8	87	88	12.1	27	\$29,068	13
Keya Paha	\$15,423	108	9	168	81	17.4	3	\$26,157	1
Hitchcock	\$16,666	210	10	415	63	13.7	13	\$29,673	18
Boyd	\$16,711	214	11	327	74	14.1	12	\$26,599	3
Thurston	\$17,569		15	1,579	15	22.2	1	\$28,364	9
Dawes	\$17,930		16	1,281	20	15.7	4	\$30,293	24
Rock	\$18,420		17	268	76	15.7	4	\$27,389	6
Morrill	\$18,911		18	764	41	14.4	10	\$31,360	30
Sheridan	\$19,454		20	878	35	14.9	8	\$30,518	26
Garden	\$19,649		21	325	75	14.8	9	\$27,870	8
Knox	\$20,154		26	1,275	21	14.2	11	\$28,678	10
Wheeler	\$23,715		63	131	84	15.1	6	\$28,963	12
Lancaster	\$29,226		92	20,147	2	8.3	78	\$42,970	87
Douglas	\$34,717		93	39,397	1	8.6	74	\$47,522	90