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Cornhusker Economics

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Concentration of Wealth in Nebraska:

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Cornhusker Economics

Cooperative Extension

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

Concentration of Wealth in Nebraska: Trends in Interest, Dividend and Rent Income

Market Report	Yr Ago	4 Wks Ago	6/21/02
<u>Livestock and Products,</u>			
<u>Average Prices for Week Ending</u>			
Slaughter Steers, Ch. 204, 1100-1300 lb Omaha, cwt	\$72.79	\$63.72	\$64.29
Feeder Steers, Med. Frame, 600-650 lb Dodge City, KS, cwt	91.71	*	84.75
Feeder Steers, Med. Frame 600-650 lb, Nebraska Auction Wght. Avg	105.79	91.96	83.11
Carcass Price, Ch. 1-3, 550-700 lb Cent. US, Equiv. Index Value, cwt	112.99	103.84	101.97
Hogs, US 1-2, 220-230 lb Sioux Falls, SD, cwt	56.00	30.00	44.00
Feeder Pigs, US 1-2, 40-45 lb Sioux Falls, SD, hd	*	16.00	*
Vacuum Packed Pork Loins, Wholesale, 13-19 lb, 1/4" Trim, Cent. US, cwt	138.69	106.20	107.78
Slaughter Lambs, Ch. & Pr., 115-125 lb Sioux Falls, SD, cwt	51.00	71.87	83.75
Carcass Lambs, Ch. & Pr., 1-4, 55-65 lb FOB Midwest, cwt	165.83	145.15	154.87
<u>Crops,</u>			
<u>Cash Truck Prices for Date Shown</u>			
Wheat, No. 1, H.W. Omaha, bu	2.99	2.85	3.25
Corn, No. 2, Yellow Omaha, bu	1.62	1.88	2.03
Soybeans, No. 1, Yellow Omaha, bu	4.33	4.78	4.85
Grain Sorghum, No. 2, Yellow Kansas City, cwt	3.12	3.39	3.71
Oats, No. 2, Heavy Minneapolis, MN, bu	1.46	2.17	2.17
<u>Hay,</u>			
<u>First Day of Week Pile Prices</u>			
Alfalfa, Sm. Square, RFV 150 or better Platte Valley, ton	102.50	112.50	112.50
Alfalfa, Lg. Round, Good Northeast Nebraska, ton	77.50	60.00	60.00
Prairie, Sm. Square, Good Northeast Nebraska, ton	105.00	90.00	90.00
* No market.			

The concentration of people, jobs and earnings in Nebraska's metropolitan counties has been well documented. In the year 2000, the state's six metropolitan counties were home to 52 percent of the population, while generating 57 percent of all jobs and 63 percent of all earnings in the state. This trend toward geographic concentration has been very pronounced in the last twenty years, with the gap between metropolitan and non-metropolitan portions of the state growing at an accelerating rate. This trend implies broad implications for rural development in the state.

Two exceptions to this trend have historically been found in transfer payments and in income from interest, dividends and rent. The age structure of rural Nebraska, in which older residents are over represented in rural areas, is associated with both income sources. Older residents are the beneficiaries of both social security and private retirement transfer payments, and the recipients of rent and interest income generated from a lifetime of accumulated wealth in the form of savings and property. In many rural areas, transfer payments, interest, dividends and rent produce more total income than does earnings.

Development professionals in Nebraska often argue that the importance of these income sources in rural Nebraska is both a blessing and a danger. While they provide an important addition to the local economy, they are also bounded by demographic realities. Retirement transfers end upon the death of the recipient, and decades of out-migration by younger residents suggests that the accumulated wealth of rural areas is likely to be transferred to heirs now residing in metropolitan centers. While inheritance is certainly not the only factor to consider, it does appear that the last twenty years have seen a significant shift in the distribution of interest, dividend and rent income.

In this paper, we will examine thirty-years of interest, dividend and rent data from the Bureau of Economic Analysis (BEA), distributed among a five-category typology of counties: metropolitan, large trade center, small trade center, small town and frontier. This typology, developed by Sam Cordes and Don Macke, has been used in several other studies, and defines a gradation from the most urban to the most rural regions in the state.



Figure 1.

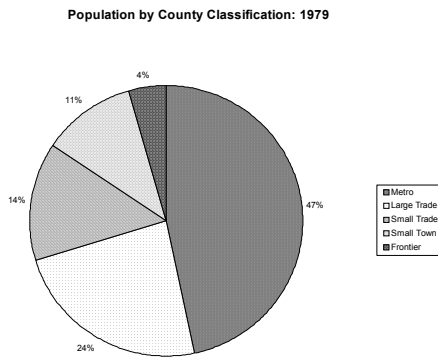
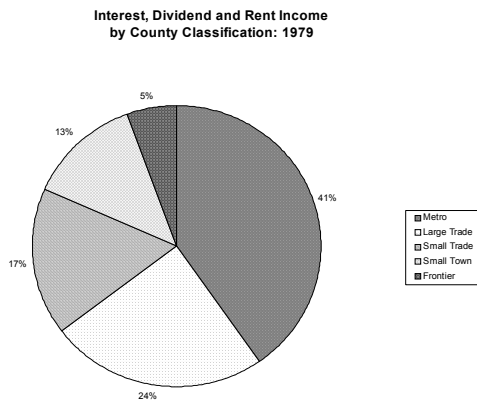


Figure 2.



BEA data indicate that as late as 1979, interest, dividend and rent income were indeed over represented in rural portions of the state. At that time, 53 percent of the population resided in non-metropolitan counties, while those same counties realized 59 percent of the state's interest, dividend and rent income.

According to the BEA, the years between 1979 and 1999 saw significant growth in interest, dividend and rent income for metropolitan counties when compared to non-metropolitan portions of the state. During that same period, the metropolitan population overtook and surpassed that of non-metropolitan Nebraska, but the metropolitan growth in income from interest, dividends and rent was in fact faster than that for the population as a whole.

By 1999, Nebraska's metropolitan counties were home to 52 percent of the state's residents, who were receiving 54 percent of Nebraska's interest, dividend and rent income.

With rural population numbers falling, one might suspect that these changes would be less dramatic when viewed on a per-capita basis, and this is apparently the case. However, per-capita interest, dividend and rent income in metropolitan counties had, by 1999, overtaken all but the most rural counties in Nebraska.

The decade of the 1980's marked the beginning of a significant change in the distribution of wealth in Nebraska. Falling rural land values, escalating urban land values, contributions to tax deferred annuities by larger and generally urban

Figure 3.

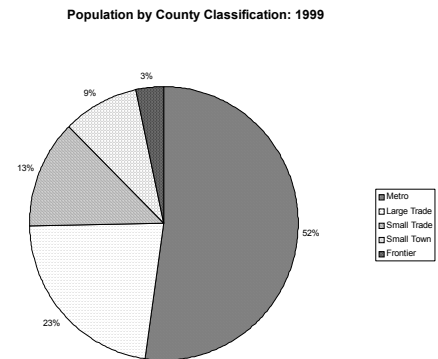
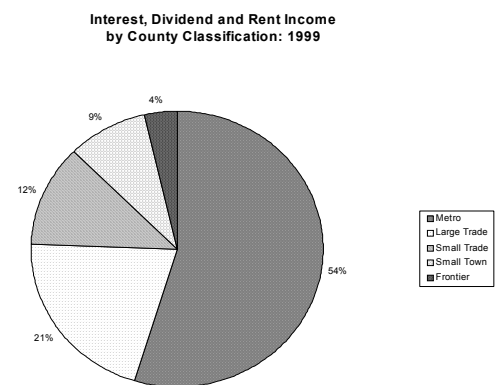


Figure 4.



companies, and the beginning of significant transfers from older rural residents to their offspring in urban centers may all be contributors to this trend. But whatever the reason, it paints a problematic picture for those engaged in rural development in rural Nebraska.

The issue of wealth concentration is becoming more important every year for the future prosperity of rural Nebraskans and the communities where they live. New structures that provide mechanisms to capture these monies leaving rural Nebraska will need to be developed. One mechanism that shows some promise for rural communities is local community foundations. Through careful planning, rural communities may be able to slow the migration of dollars to urban centers and continue drawing on those dollars to create their future.

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