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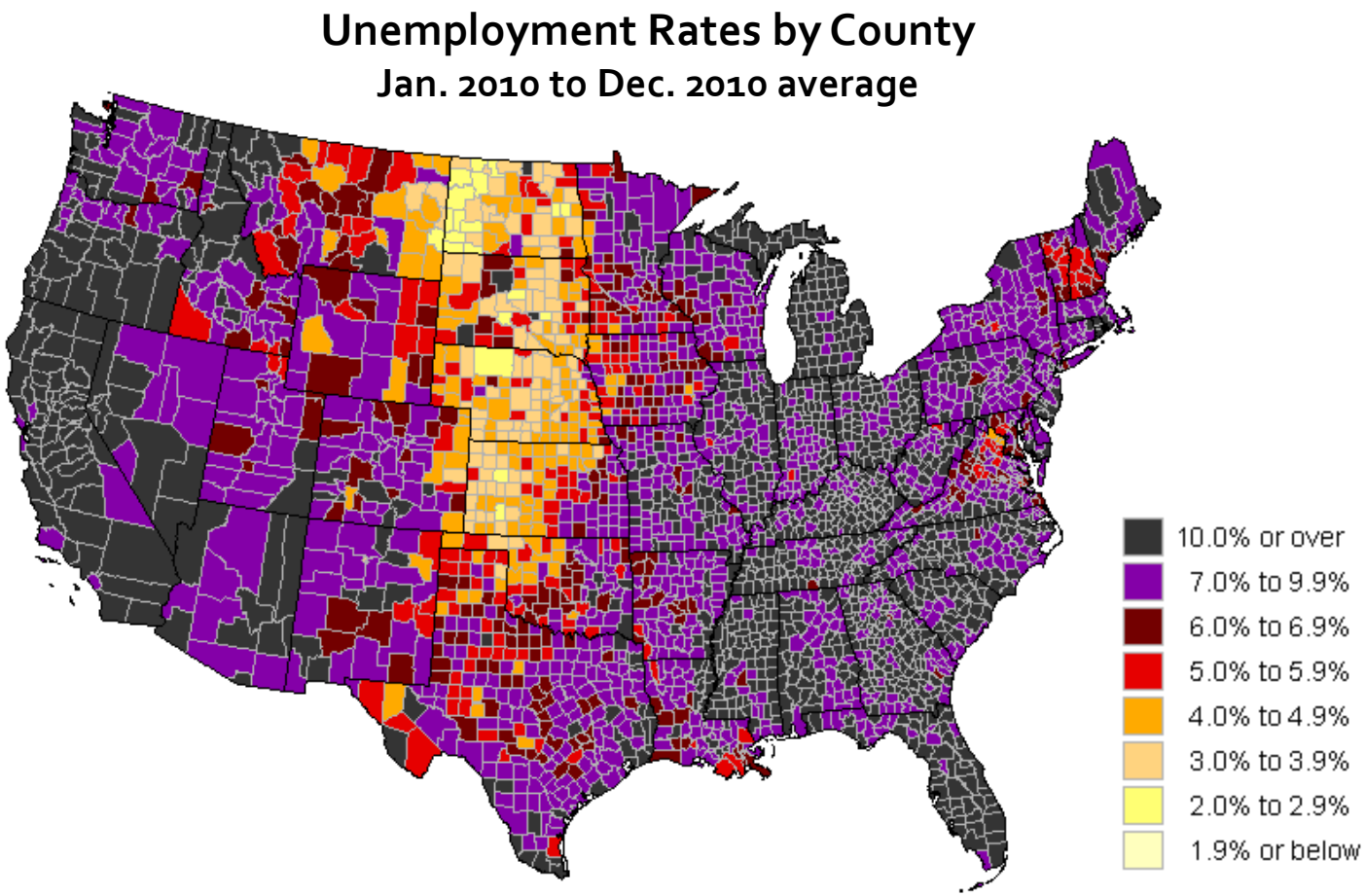
The Opportunities and Threats Facing Rural America

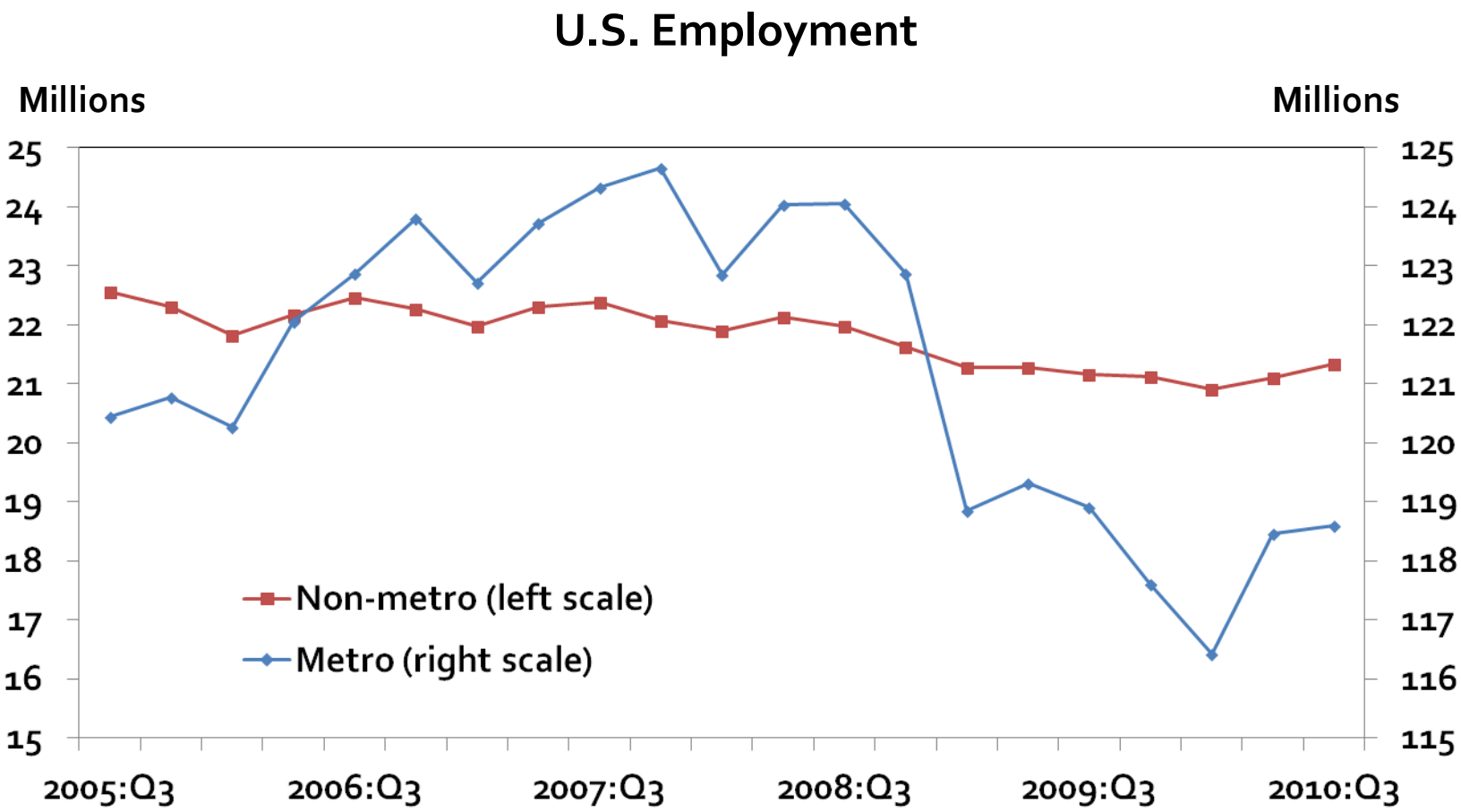
The views expressed are those of the author and do not necessarily reflect the opinions of the Federal Reserve Bank of Kansas City or the Federal Reserve System.

Economic moods varied across the nation.



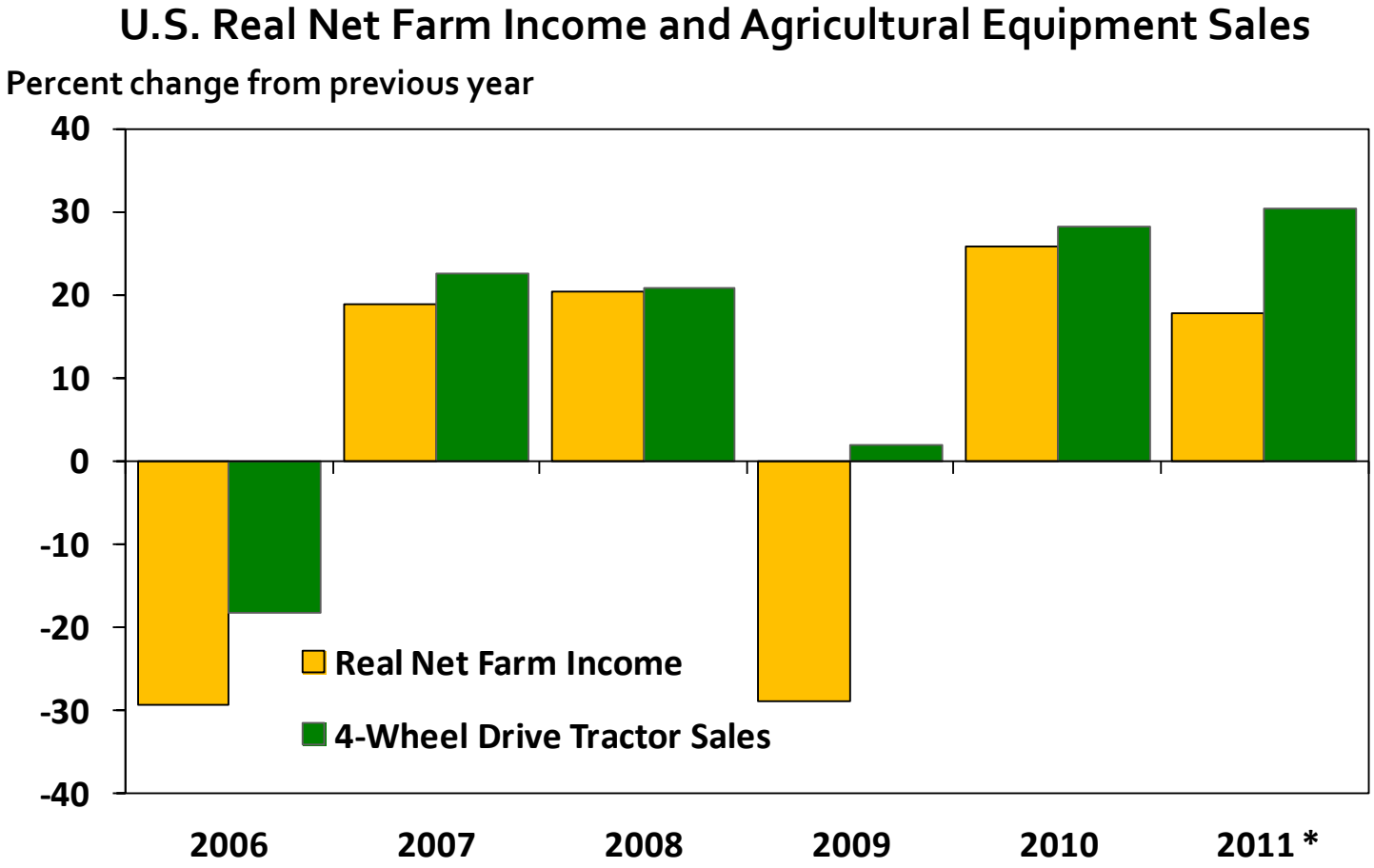
Source: Bureau of Labor Statistics

Rural economies held up better during the great recession.



Source: USDA

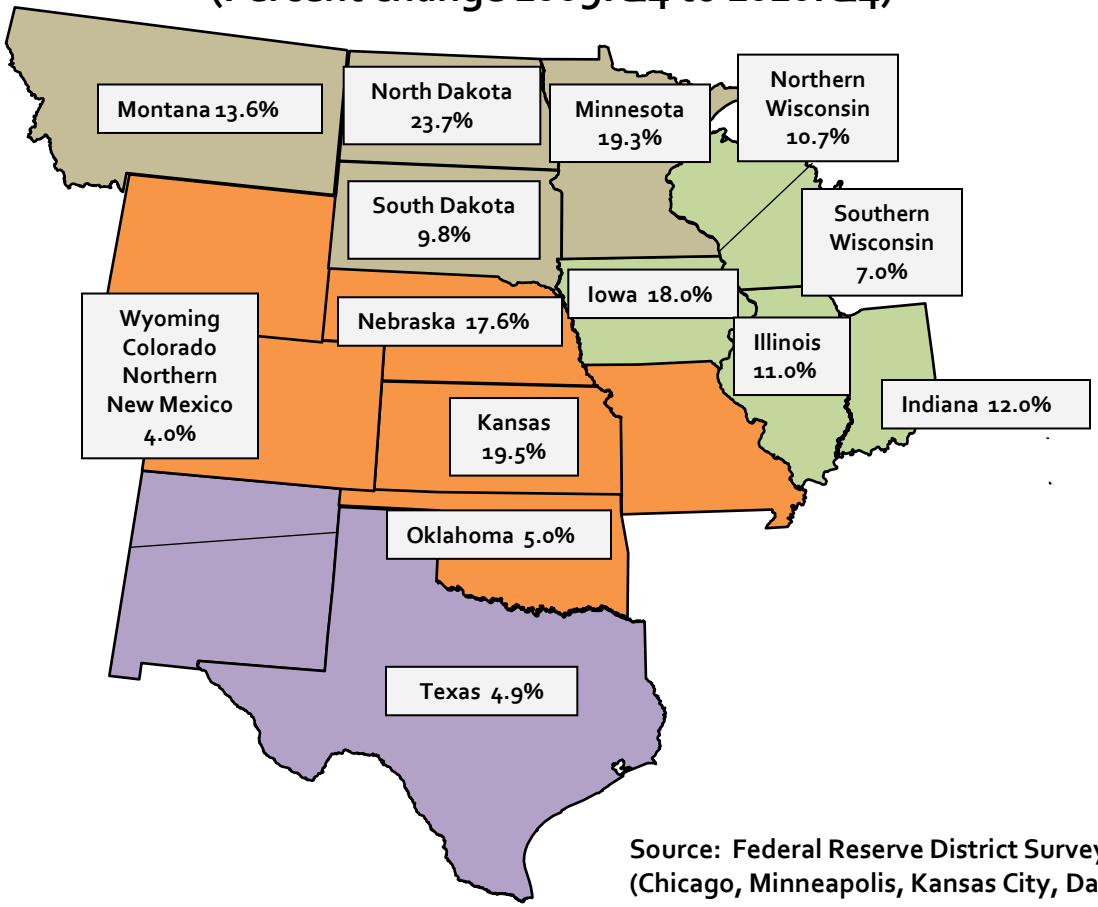
Stronger farm incomes boost agricultural equipment sales.



Source: Association of Equipment Manufacturers and USDA
* Net farm income forecast for 2011 dated February 2011, Tractor sales YTD through February 2011

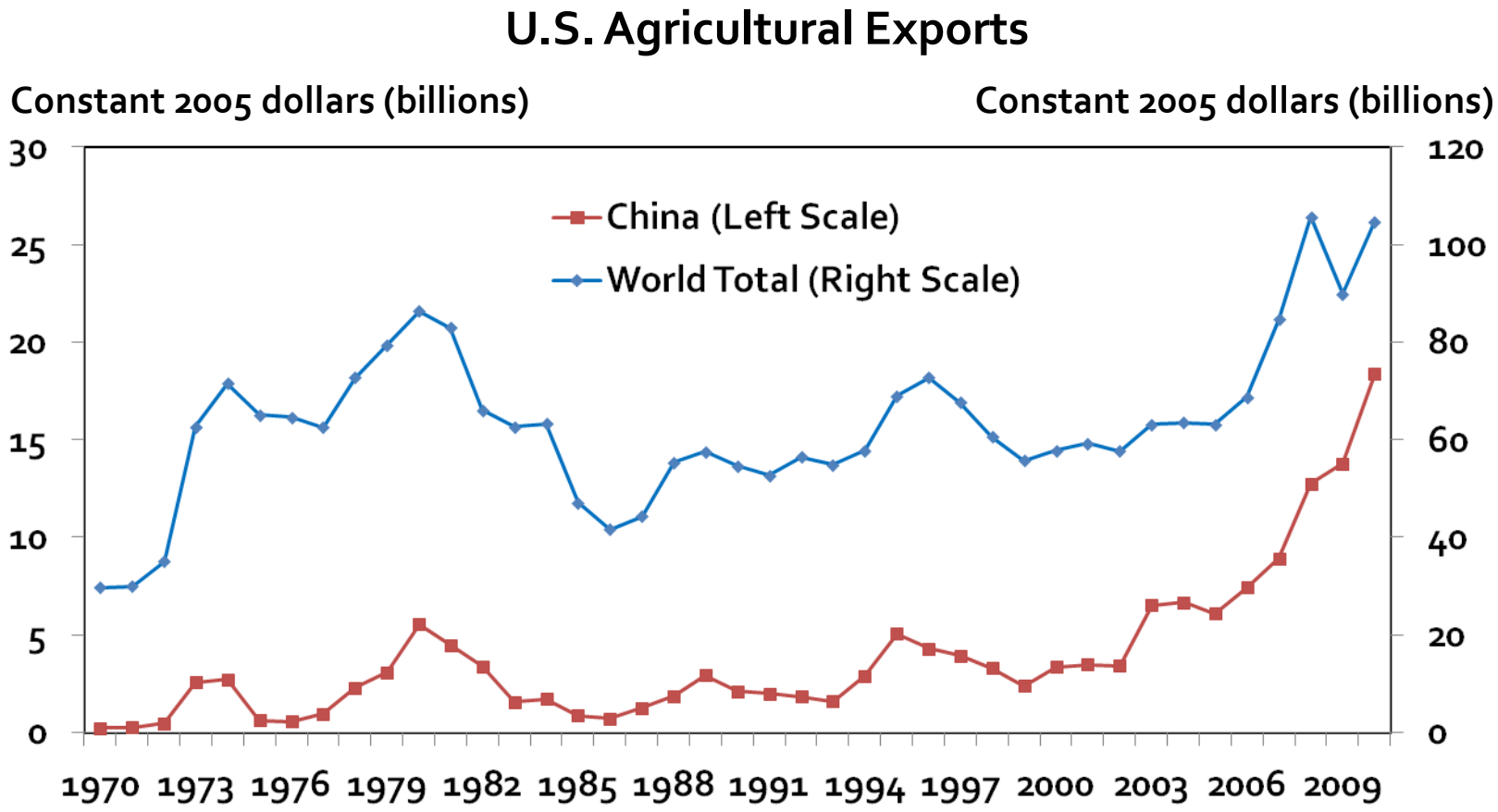
Cropland values surge across the Corn Belt.

Non-irrigated Cropland Values
(Percent change 2009:Q4 to 2010:Q4)



Source: Federal Reserve District Surveys (Chicago, Minneapolis, Kansas City, Dallas)

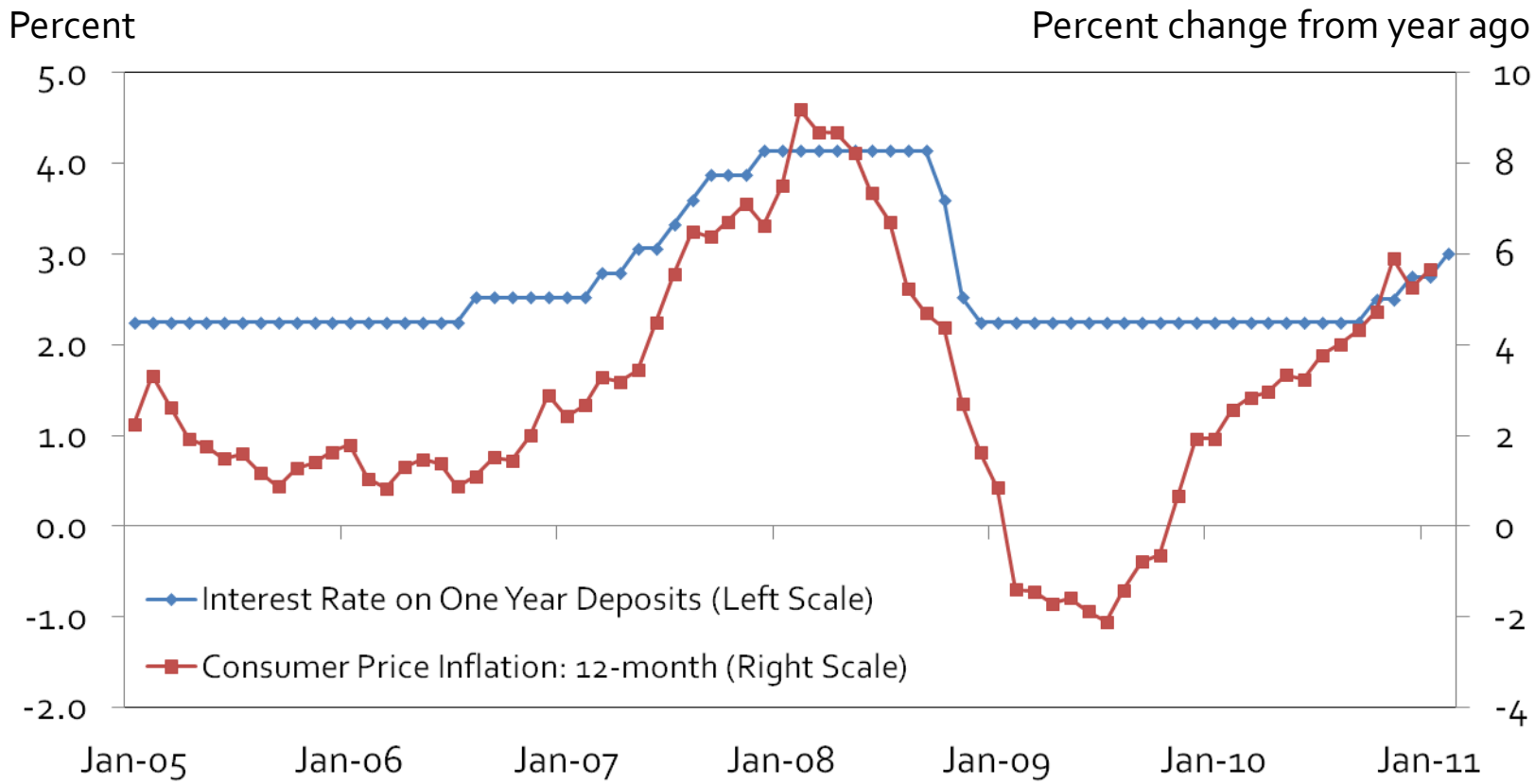
Opportunity #1:
China's exports surge to record highs.



Source: USDA

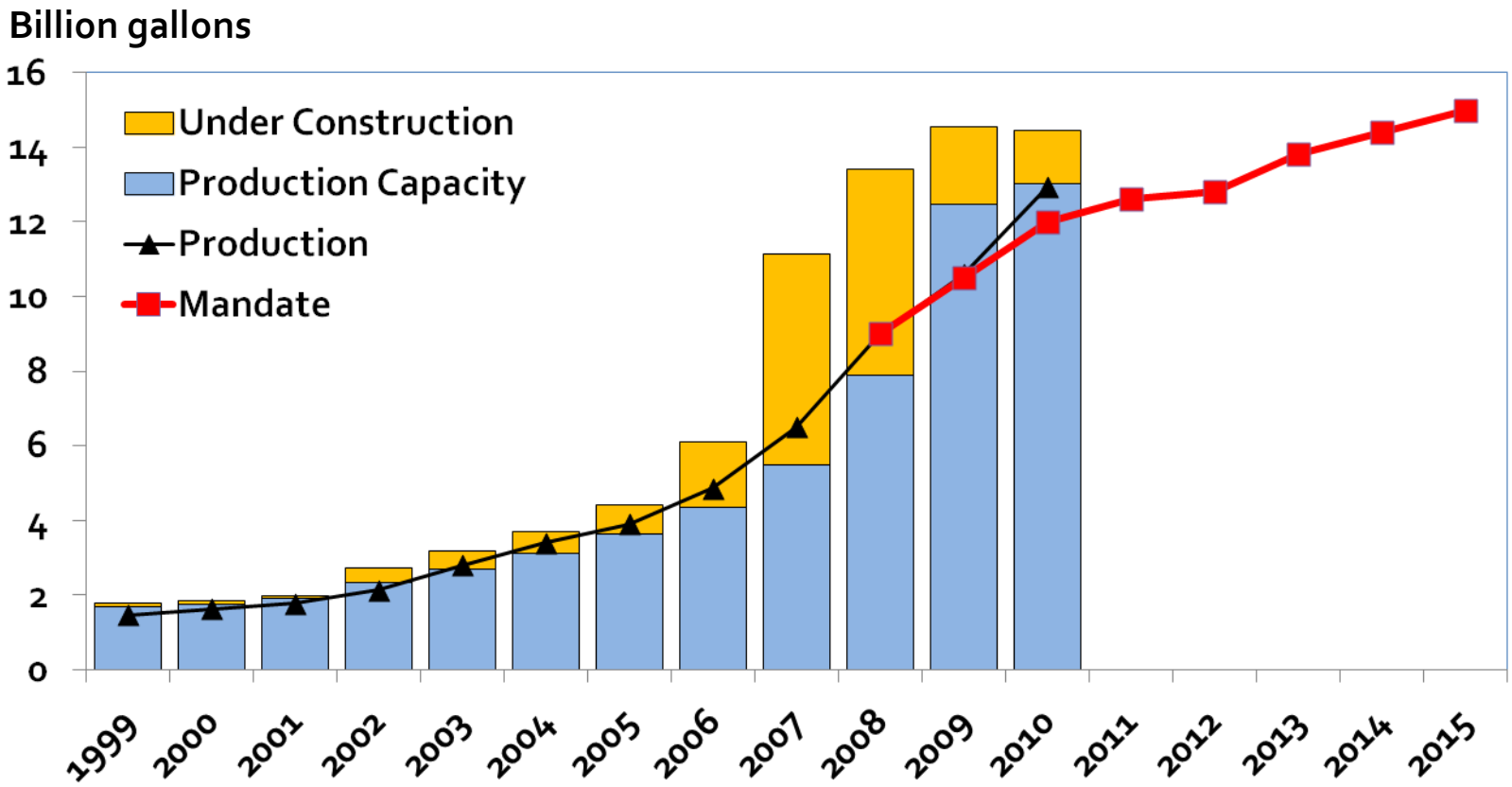
Threat #1:
Higher interest could slow the Chinese economy.

China's Inflation and Interest Rates



Opportunity #2: Mandates dictate stronger ethanol demand.

U.S. Ethanol Production Capacity and Production



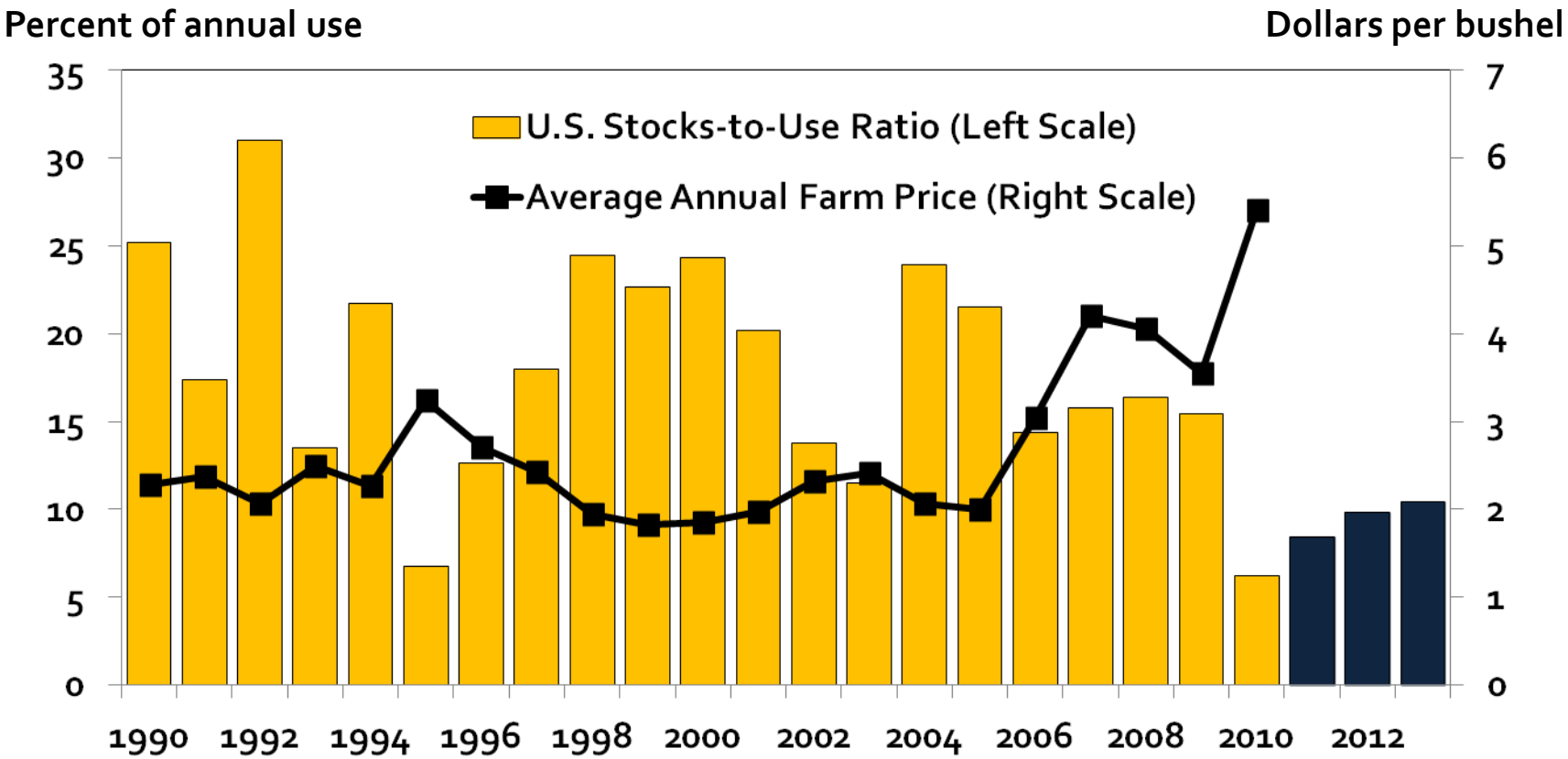
Source: Renewable Fuels Association, capacity data based on January information

Threat #2:
Public Support for Bio-Fuels

What happens to ethanol if the subsidies, tariffs and mandates disappear?

Opportunity #3: Tight supplies boost farm prices.

U.S. Corn Inventory and Farm Price



Source: USDA

Threat #3:
The Best Cure for High Prices is High Prices

Farmers Always Produce Themselves Out of Prosperity

- 2011: U.S. Acres Planted to Corn Up 4.3%
- 2020: U.S. Corn Yields Up 17 Percent

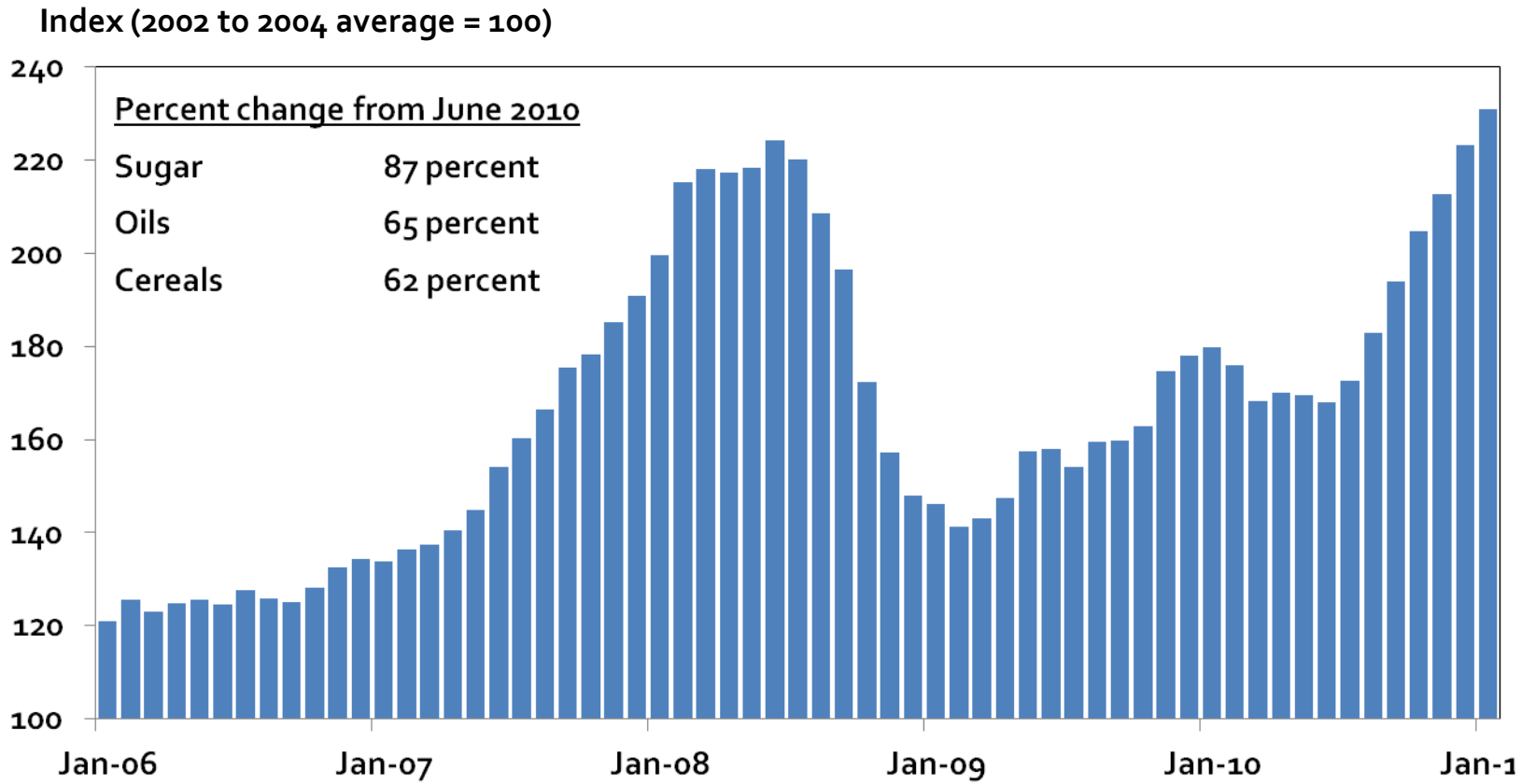
How Quickly Could Farm Incomes Fall?

- 2013: Average Annual Corn Price is $4.10
- 2013: Net returns above variable costs for corn fall 40% below today's levels.

Source: USDA

Opportunity #4: Soaring Global Food Prices

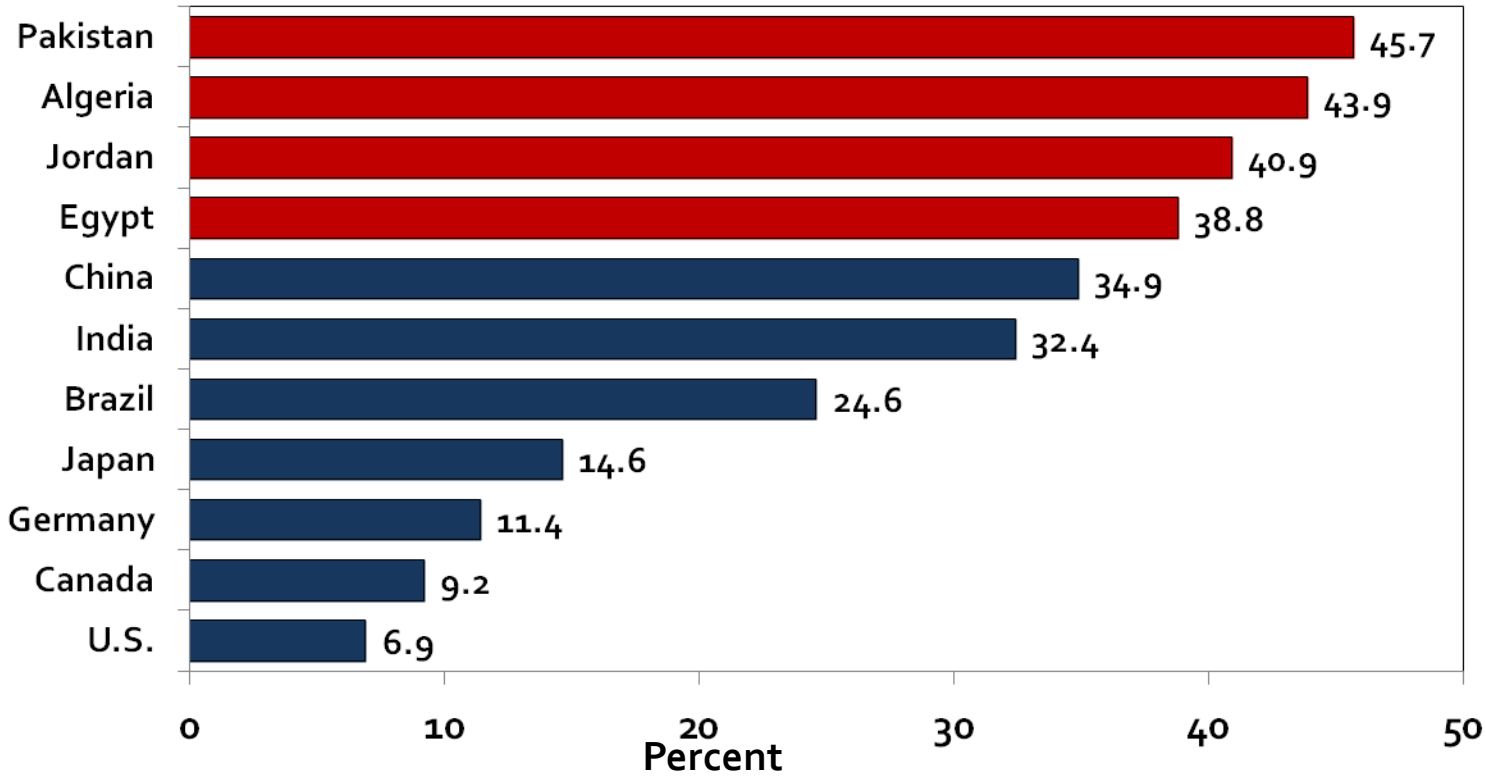
World Food Prices



Source: Food and Agricultural Organization of the United Nations

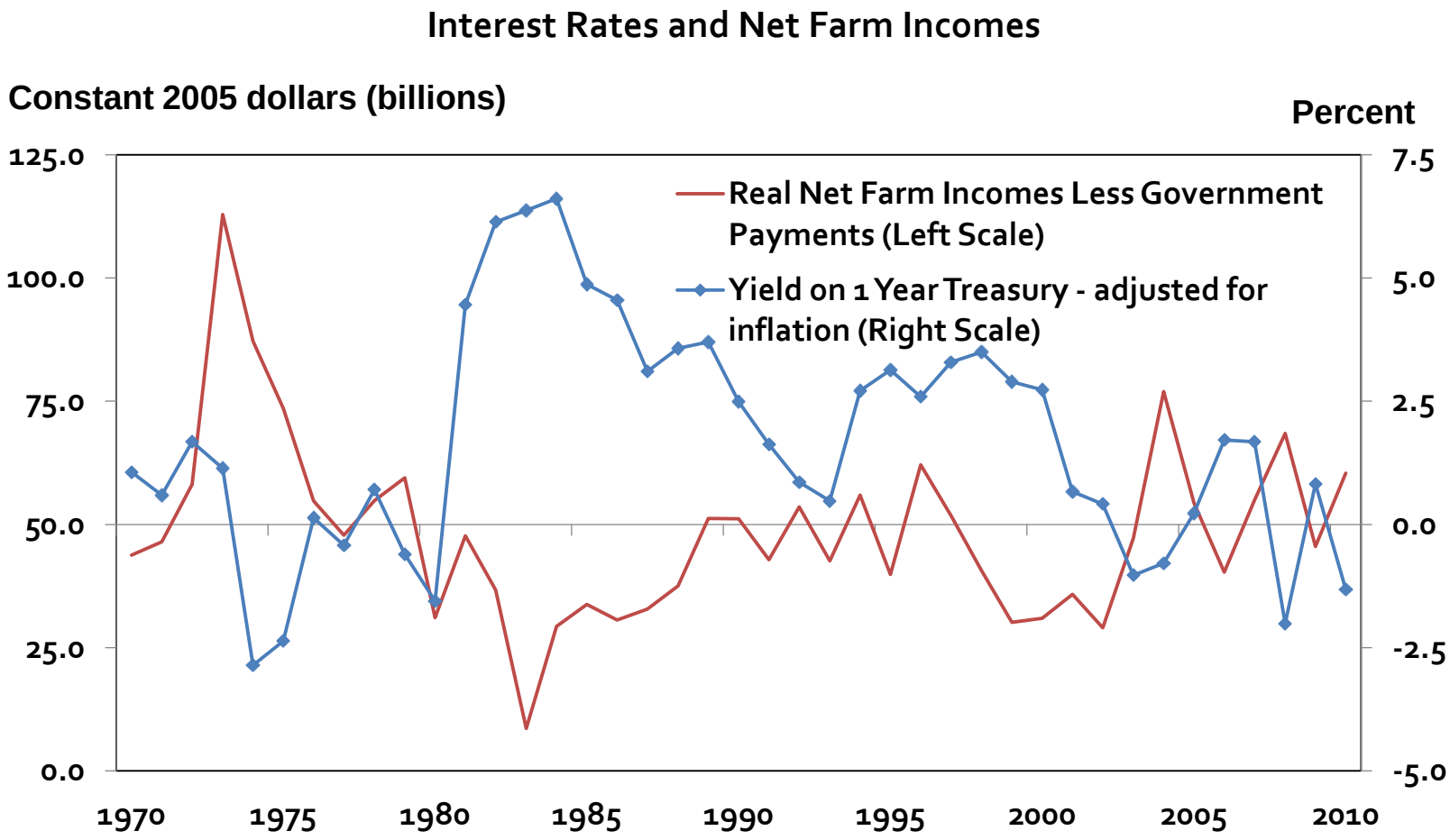
Threat #4:
Food prices, Middle East riots, and oil

Food Share of Household Expenditure by Country, 2009



Source: USDA

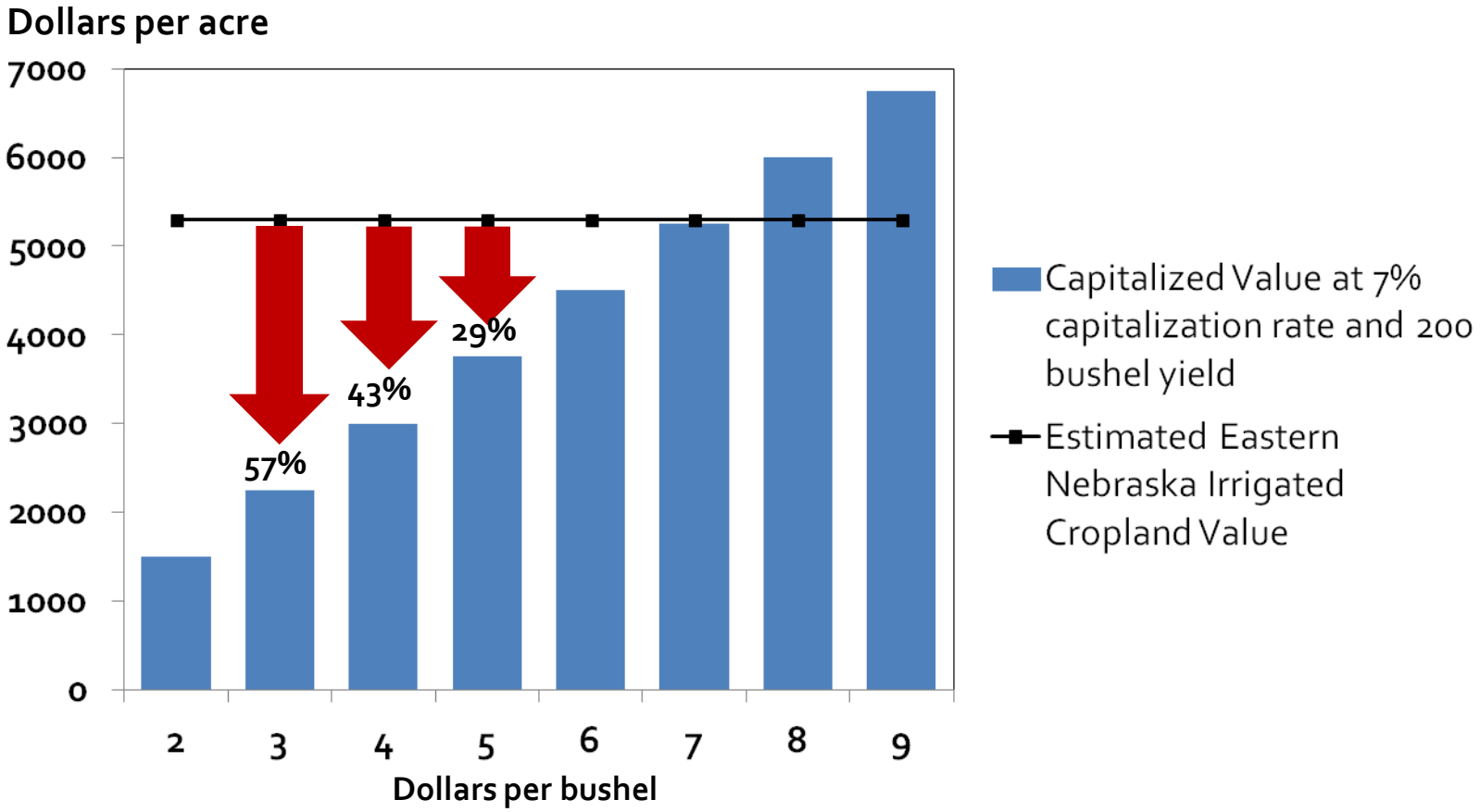
Opportunity #5:
Low interest rates lift farm incomes.



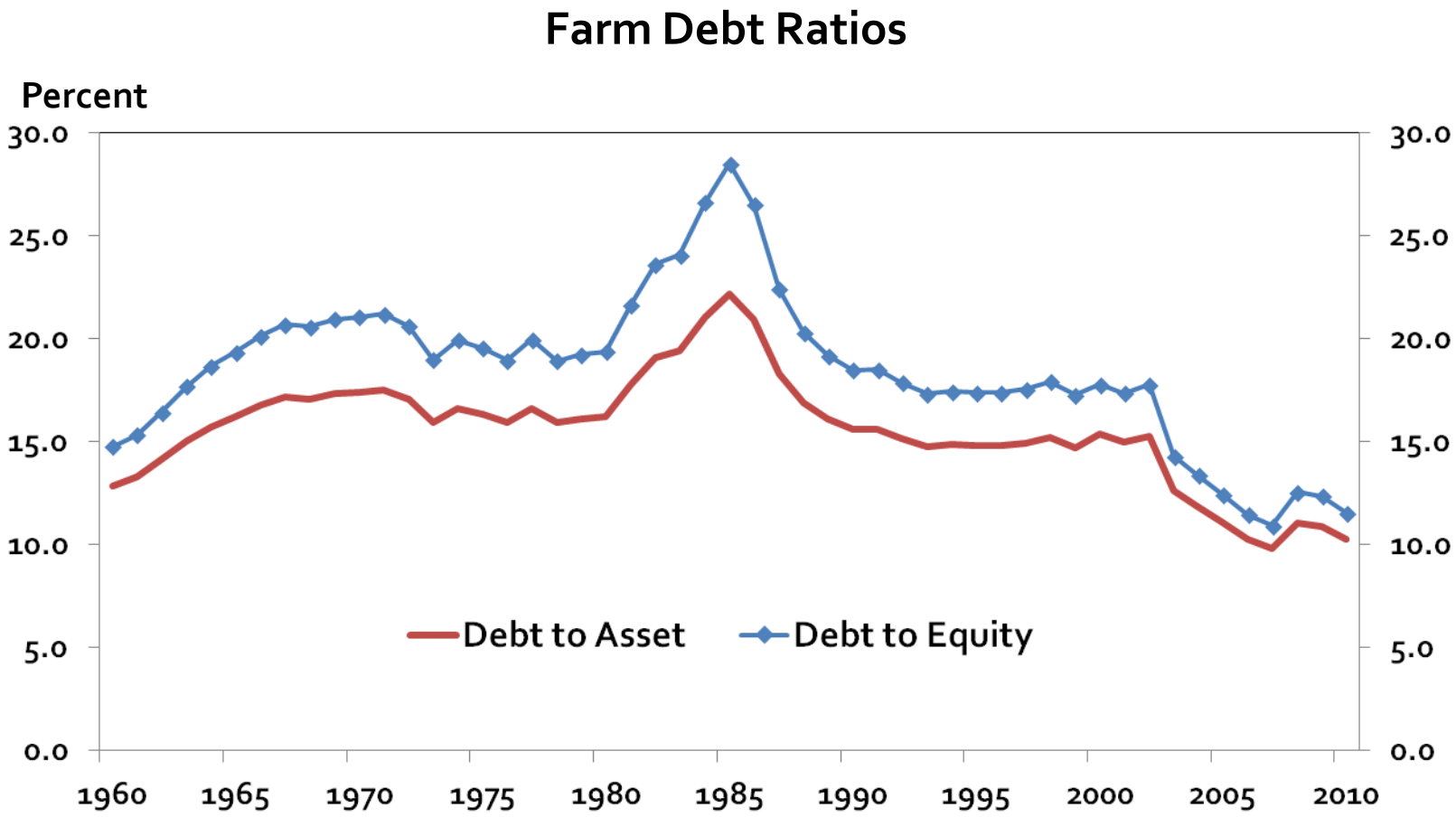
Sources: USDA , Federal Reserve, BLS

Threat #5: Higher interest rates cut profits and farmland values

Capitalized Revenues from Corn Production



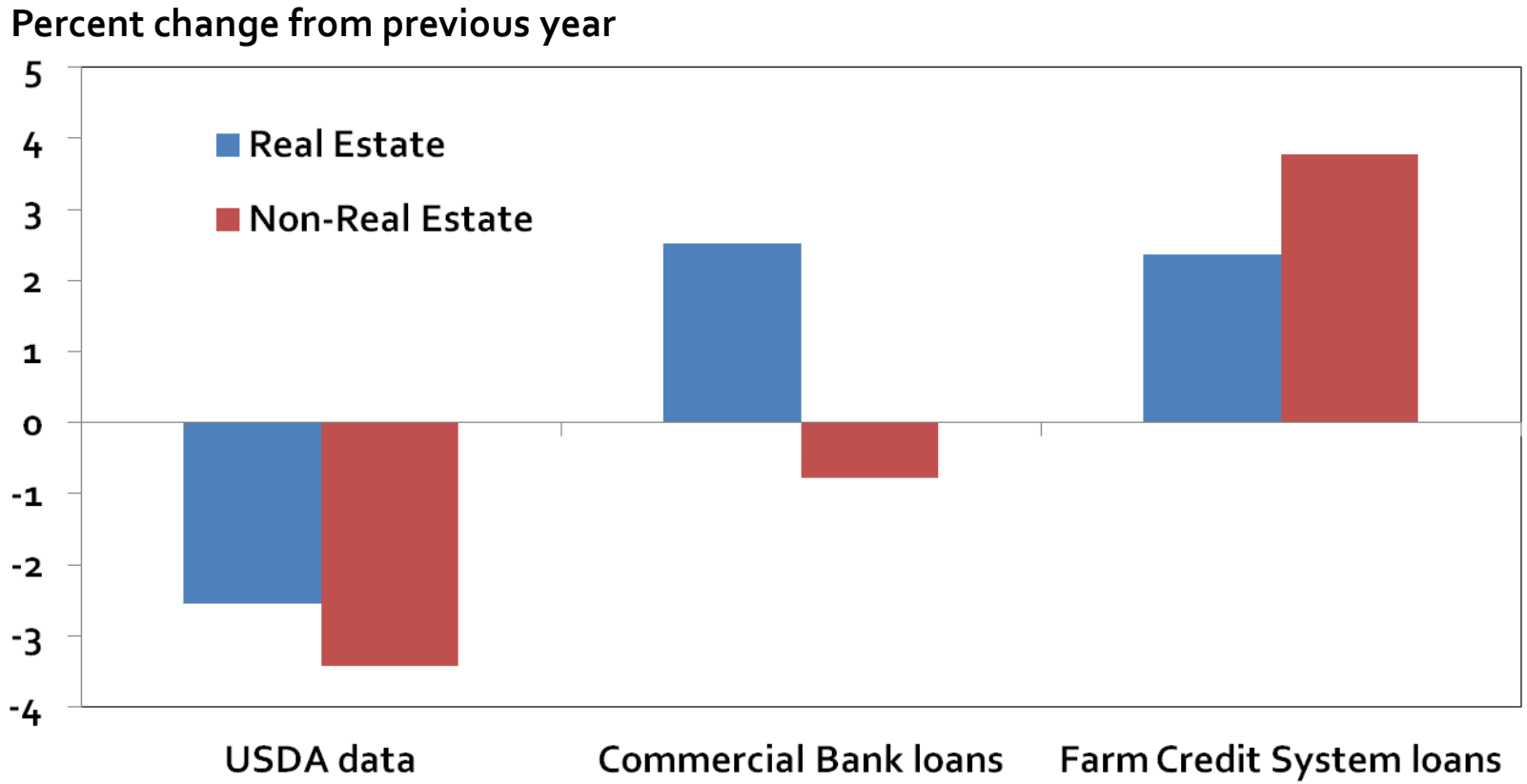
Opportunity #6:
Farm debt ratios fall to record lows.



Sources: USDA

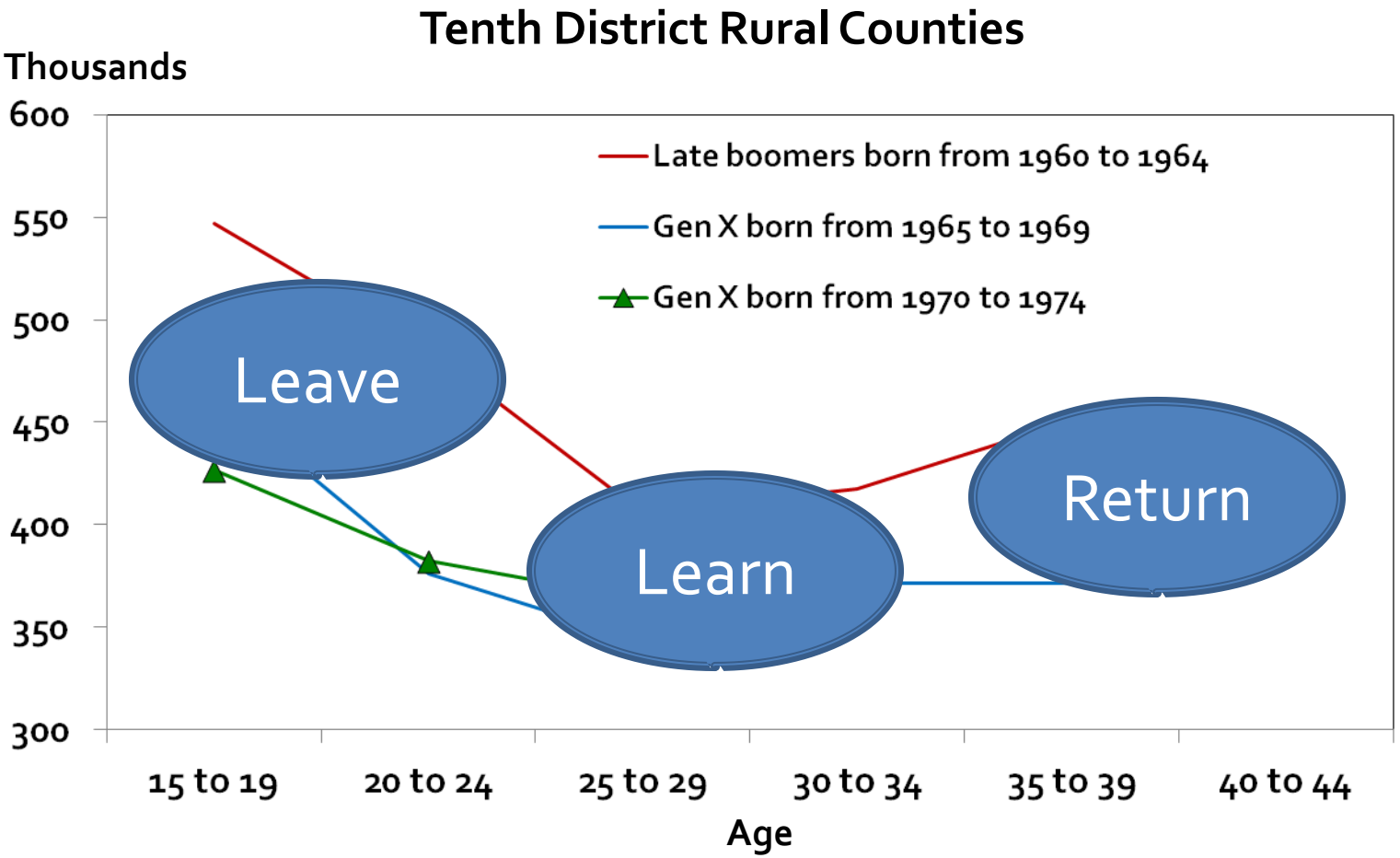
Threat #6:
How much debt do farmers really have?

Growth in Farm Real Estate and Non-Real Estate Debt
(2009 to 2010)



Source: USDA, Agricultural Finance Databook, Federal Farm Credit Banks

Opportunity #7: Middle-aged residents return to rural America

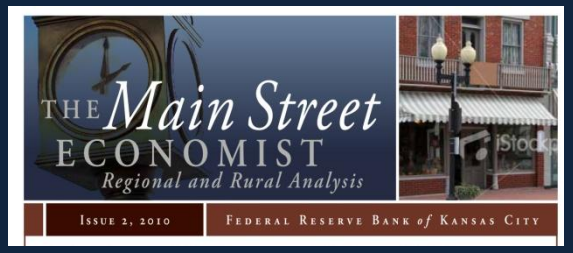
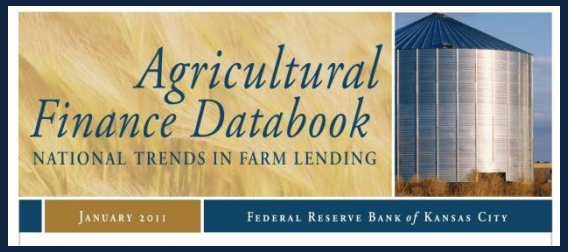
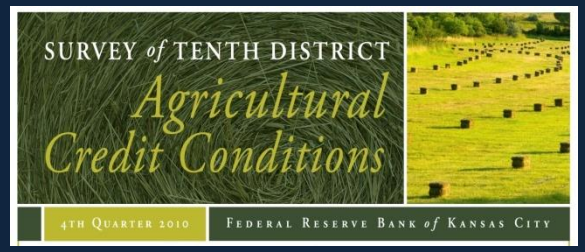


Source: Federal Reserve Bank of Kansas City

Threat #7: Memories

Today's 40 year olds were teenagers in the 1980s.

What is this their memory of rural America?

For More Information on Agricultural and Rural Economies

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