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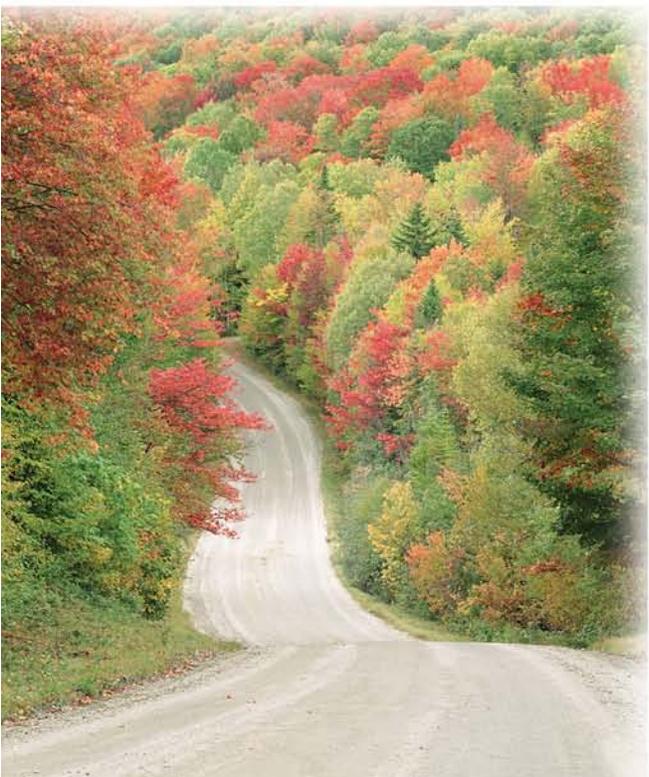
The Main Street ———
Economist
Commentary on the rural economy



Wildlife Recreation: Rural America's Newest Billion Dollar Industry

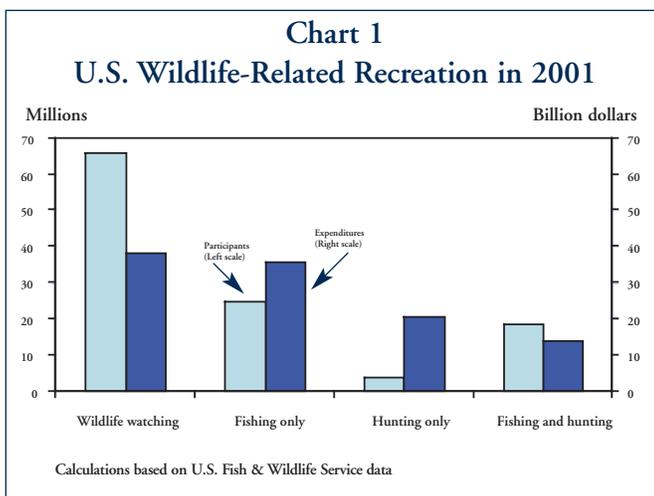
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In today's search for the next billion dollar industry to revitalize Main Streets, many rural leaders are again pinning their hopes on nature. New opportunities are not arising from traditional sources—commodity industries like agriculture or mining. Tomorrow's opportunity may well be wildlife-related recreation—already a \$108 billion industry nationwide.

In many rural places, hunting, fishing, and wildlife watching have boosted rural tourism, spurred business growth, and contributed to strong land value gains. The brightest prospects though, still lie ahead. Rural communities fortunate enough to have other amenities to complement their natural resource base are in the best position to reap new economic benefits from this booming industry.



According to the U.S. Fish & Wildlife Service, 82 million people participated in wildlife-related recreation activity in 2001, the latest data available.¹ The largest number, roughly 66 million people, took part in wildlife watching (Chart 1). Millions more engaged in fishing and hunting. A significant number of outdoor enthusiasts participated in two or more types of wildlife recreation.

Wildlife recreationers spent \$108 billion on wildlife-related recreation expenditures in 2001. To put that in perspective, that amount was more than the total cash receipts of the U.S. livestock industry in the same year.

While wildlife watching was the most popular activity, anglers and hunters still spent the most on wildlife recreation. They spent roughly \$70 billion in 1991, compared to \$38 billion by wildlife watchers. During the 1990s, hunting dollars surged 29%, while wildlife watching dollars rose 16%.

Wildlife recreationers divided their spending on a variety of goods and services.

and many rural places are targeting wildlife recreation as a tourist attraction. Populated states such as Florida and California typically lead the nation in total expenditures on wildlife recreation. Per capita spending was highest in Alaska, Wyoming, Montana, South Dakota, Maine, Idaho, Wisconsin, Vermont, Utah, and Oregon (Chart 2). In addition, many rural states have been able to attract out-of-state tourists for wildlife recreation. For example, Alaska, South Dakota, Wyoming, and Montana have led the nation in per capita expenditures by out-of-state residents for wildlife recreation.

Rural businesses have been the primary beneficiary of the wildlife recreation industry. Cabella's (Sidney, Nebraska) and Bass Pro Shop (Springfield, Missouri) have emerged as leading retailers of wildlife equipment.

These businesses have made huge expansions, both in rural locations and as hubs of urban revitalization. Wildlife recreation is also a factor in the sharp rise in rural land values.

Recreation activities are motivating farmland purchases by nonfarmers. Over half of the ag bankers surveyed in the Kansas City district in 2003 reported that recreation was a reason for investor (nonfarmer) purchases of farmland. In 2001, wildlife recreationers spent over \$12 billion on land leasing and ownership.

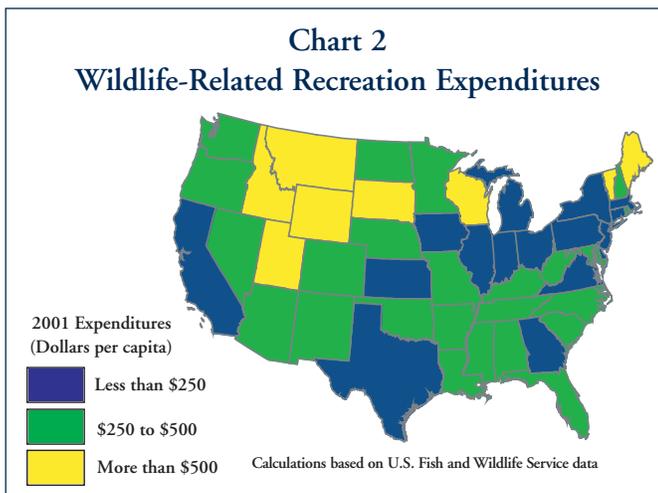
Higher land values, however, are evidence that

wildlife recreation also poses some serious challenges for rural communities. Recreational use may not always be complementary to traditional uses. In addition to higher land costs for farmers, land taken out of agricultural production for recreational use reduces the potential customer base for traditional agricultural service providers. And, wildlife recreation is often a seasonal activity, meaning that additional economic opportunities are needed for the off-season.

Still, wildlife recreation appears to be a growing way to attract wealthy recreationers to rural places. Many of the wildlife recreation participants have above-average income levels and reside in metro areas. For example, over 20% of the people with incomes higher than \$35,000 are likely to fish, while less than 15% of those with incomes below \$25,000 fished. Metro residents accounted for 59%, 72%, and 76% of hunting, fishing, and wildlife-watchers, respectively.

Wildlife recreation offers even more promise for rural communities with existing entertainment amenities. Tourists, even wildlife recreationers, often prefer places with amenities beyond scenic landscapes and abundant wildlife. They eat at restaurants, sleep in hotels, and visit night spots. As a result, a growing number of hunting resorts that combine entertainment and wildlife are beginning to dot the rural landscape. To help draw customers, many of these resorts also offer off-season activities and promote other types of entertainment in the region. They clearly show that rural places with a regional identity that embraces both entertainment and wildlife amenities are probably in the best position to capture wildlife recreation's dollars.

Nature has always been a strong foundation for rural America. Now, wildlife recreation appears to be the newest opportunity. The industry may not be the answer for every rural community, but those with entertainment and wildlife may be able to leverage Mother Nature to spark new growth.



Endnote

¹National Survey of Fishing, Hunting, & Wildlife-Associated Recreation, U.S. Fish & Wildlife Service.

Survey of Agricultural Credit Conditions

Federal Reserve Bank of Kansas City
December 31, 2003

Highlights from the fourth quarter survey*

- District farmland values remained solid throughout 2003. In the fourth quarter, annual gains in farmland values were 5.8% for rangeland, 5.6% for nonirrigated cropland, and 3.7% for irrigated cropland. Rangeland value gains were healthy in all district states due to high cattle prices. Gains in nonirrigated values were led by Nebraska and Oklahoma.
- District bankers indicate that, on average, farmers were the primary buyers of farmland across the district. Two-thirds of bankers reported that the majority of farmland sold in their area this year was purchased by farmers. The primary reasons for farmland purchases by individuals other than farmers were investment and recreation. Recreation was cited as a major reason for non-farmer purchases by 55% of bankers, compared to 45% a year ago.
- District farm credit conditions continued to improve in the fourth quarter. The index of farm loan repayment rates surged, while requests for renewals and extensions moved lower. In the fourth quarter, 23% of bankers reported higher loan repayment rates compared to just 7.5% a year ago. Only 14% reported an increase in renewals and extensions, down from 40% last year.
- The district farm commodity price index rose in the fourth quarter with record cattle prices and strong soybean prices. Compared to the previous quarter, prices for cattle and major crops were higher, while hog prices fell. Prices for all crops and livestock were above 2002 levels, except wheat prices, which were flat relative to a year ago.
- Interest rates on new farm loans inched lower in the fourth quarter. At the end of the quarter, interest rates on new farm loans averaged 7.13% for operating loans, 7.17% for machinery and intermediate-term loans, and 6.75% for real estate loans. Since December, interest rates in national money markets have moved up.

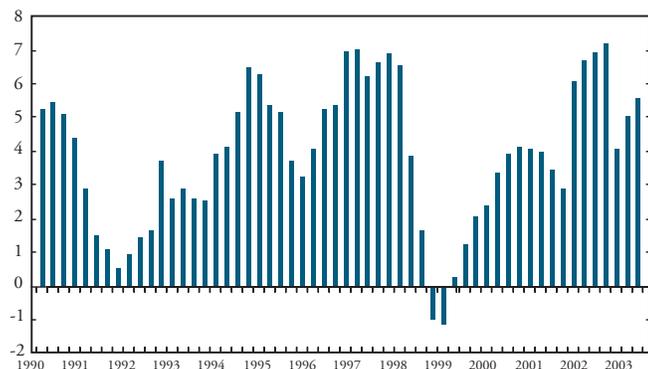
*Note: 293 banks responded to the fourth quarter Survey of Agricultural Credit Conditions in the Tenth Federal Reserve District—an area that includes Colorado, Kansas, Nebraska, Oklahoma, Wyoming, the northern half of New Mexico, and the western third of Missouri.

*Please refer questions to Nancy Novack, associate economist, at 816-881-2423 or nancy.l.novack@kc.frb.org.

Nonirrigated Cropland Values

Tenth District

Sample percent change from a year ago*

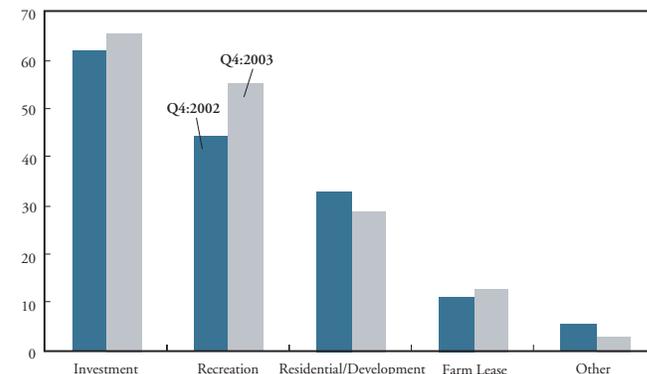


*Percent changes are calculated using responses only from those banks reporting in both the past and the current quarter.

Reasons for Farmland Purchases by Nonfarmers

Tenth District

Percent of respondents*

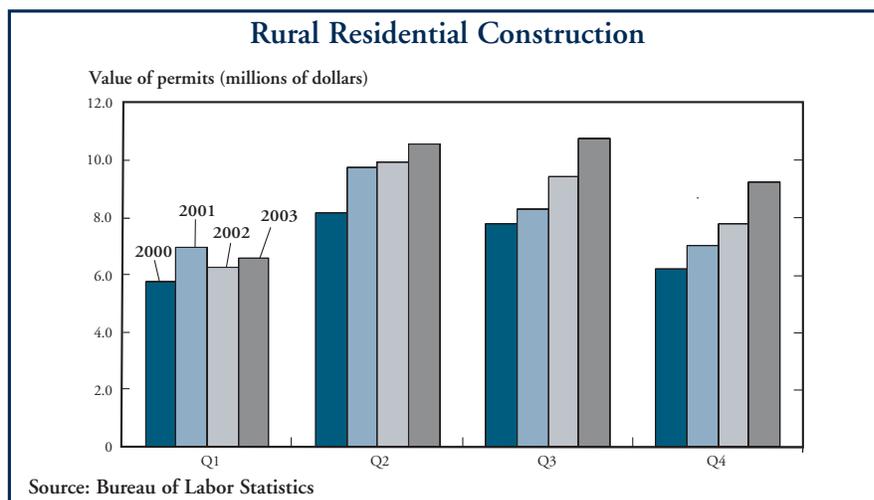
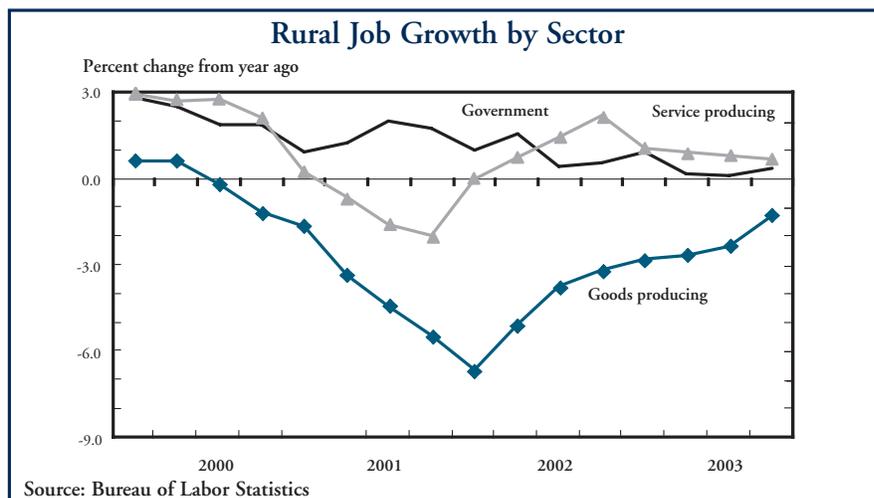
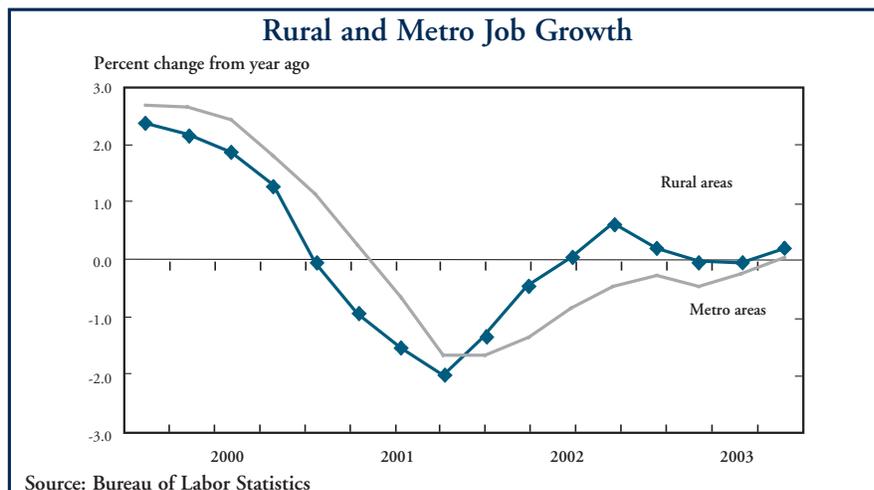


*Respondents were asked the most common reasons for farmland purchases by individuals other than farmers. Respondents could choose more than one response and therefore percentages will not sum to 100.

Summary of Economic Conditions

Highlights from the fourth quarter.*

- The rural nonfarm economy rebounded in the fourth quarter of 2003. Rural job levels edged above a year ago after a third-quarter surge in the national economy. Rural job growth continues to outpace growth in metro places.
- Gains in government and service-producing sectors were able to offset continued losses in goods-producing jobs. Improving government revenue streams have helped to ease fiscal constraints and the contraction in government employment. Service-producing sectors, led by financial and recreation industries, continue to lead the rural recovery. Despite easing job losses in rural factories, goods-producing employment remained well below a year ago.
- Low interest rates continued to propel robust activity in the rural construction sector in the fourth quarter. Despite a seasonal slowdown, the value of rural building permits remained well above year-ago levels. The number of rural building permits continued to surge, led by strong single-unit construction activity.



*Please refer questions to Nancy Novack, associate economist, at 816-881-2423.

For more current analysis on the state of the rural farm and nonfarm economies, visit our web site at www.kc.frb.org.

Notes: Data for all tables are not seasonally adjusted. Job data were revised and reclassified in January 2003.