

For More Information Contact:
Ernie Goss, Ph.D. (402) 280-4757
ernieg@creighton.edu
Bill McQuillan, (308) 428-3925
bmcq@cnbgreeley.com
N. Kathryn Clark (402) 280-2864
kathrynclark@creighton.edu

Rural Mainstreet Index Expands for Second Straight Month; Farmland Equipment Sales Slump to Record Low

April Survey Results at a Glance:

- Bank CEOs report a second straight uptick in the monthly index.
- Farmland-price index expands from March's record low.
- Farm-equipment sales index drops to another record low.
- More than one-fourth of surveyed communities experienced housing price declines of more than 10 percent over last twelve months.

For Immediate Release: April 16, 2009

OMAHA, Neb. – The overall economic index for the Rural Mainstreet economy increased for a second straight month for April but continued to point to significant economic weakness, according to the April survey of bank CEOs in an 11-state region.

The Rural Mainstreet Index (RMI), which ranges between 0 and 100, expanded to 21.7 from March's 18.7 and February's record low 16.9.

“While the Rural Mainstreet Index (RMI) remains weak, I think it has bottomed out. Since February of last year, the RMI has trended downward. The April 2009 reading compares to 47.5 for April 2008. The RMI has now moved below growth neutral 50.0 for 14 consecutive months. Most states in the region are being negatively affected by the national economic downturn and low agricultural and energy commodity prices,” said Creighton University economist Ernie Goss. Goss and Bill McQuillan, CEO of City National Bank in Greeley, Neb., created the monthly economic survey.

The strong dollar has dampened demand abroad for U.S. agricultural and energy commodities. Additionally, the weakness in Asia and Europe is being telegraphed back to the Rural Mainstreet Economy. Weaker agricultural commodity prices have had important and negative effects on farmland prices and the sale of farm equipment. The farmland-price index moved below growth neutral for the sixth straight month. “After peaking at 81.0 in January 2008, the index declined to 33.1, a record low, in March. However, the April index rebounded to 41.2, the highest reading for the index since November 2008. The farm-equipment sales index slumped to 29.6, a record low, from March's record low 30.0,” said Goss.

For the 19th consecutive month, the confidence index, which tracks expectations for the Rural Mainstreet economy six months out, was below growth neutral 50.0. However, the index did rise to 45.6, its highest level since May 2008, higher than March's 35.9. “This is further evidence

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that the Rural Mainstreet Index has bottomed out. However, I do expect any recovery to be as much as six months out,” said Goss.

Hiring in the rural areas has been especially weak over the past year. The new-hiring index for April plunged to 15.8 from March’s anemic 23, only slightly higher than February’s record low of 14.7. “This is the 16th consecutive month that the index has been below growth neutral, due in part to the national and global recession and weakening farm and energy commodity prices,” said Goss.

Like much of the nation, retail sales were very weak for the month with an April retail-sales index of 20.5, which was up from March’s 18.7 and February’s record low of 18.4.

Just like the national housing market, home sales were feeble for Rural Mainstreet with the home-sales index rising to an anemic 30.8, from 24.6 in March. This month, bankers were asked to compare April 2009 housing prices to April 2008. More than one-fourth or 25.5 percent of the bankers reported that prices had declined by more than 10 percent, while 56.9 percent indicated that housing prices declined by less than 10 percent. For the 12-month period, 17.6 percent of bank CEOs reported that housing prices had not declined or had increased. According to Pete Haddeland, CEO of First National Bank in Mahanomen, Minn., “The housing stock has decreased over 10 percent in value in the last year.”

Despite the national banking crisis, bankers on Rural Mainstreet reported healthy banking numbers. The loan-volume index rose to 50.8 from March’s 46.2, reflecting some tightening of credit, but it is still not in a range to cause concern. For April, checking deposits dipped to 66.7 from 67.4 in March. The index for certificates of deposit and other savings instruments slipped to a still healthy 61.0 from March’s 62.9.

Contrary to banks in other parts of the country, only 12 percent of the bankers reported that loan delinquencies were up significantly, and 52 percent indicated that loan delinquencies were up only moderately. Moreover, 36.0 percent of the bankers reported that loan delinquencies rates were either the same or down. As in past months, bankers expressed concern that they will pay the price for the fiascos of larger banks. Dale Torpey, president of Federation Bank in Washington, Iowa, said he “still has a great deal of concern over the bailout money that continues to flow into the ‘too-big-to-fail’ institutions and the potential for the? FDIC closing down community banks. These large institutions need to be treated like all banks. ”

Each month, community bank presidents and CEOs in nonurban, agriculturally and resource-dependent portions of an 11-state area are surveyed regarding current economic conditions in their communities and their projected economic outlooks six months down the road. Bankers from Colorado, Illinois, Iowa, Kansas, Minnesota, Missouri, Montana, Nebraska, North Dakota, South Dakota and Wyoming are included. The average community-population size covered by the survey is approximately 1,300 with almost 200 communities represented in the survey. This survey represents an early snapshot of the economy of the rural, agriculturally and energy dependent portions of the nation.

Below are reports for each state:

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Colorado: Economic conditions for Colorado’s Rural Mainstreet for April were anemic, much like in previous months. The Rural Mainstreet Index (RMI) climbed to 21.7 from 18.7 in March. The April ranch- and farmland-price index strengthened to 41.2 from March’s 33.1.

Illinois: The state’s Rural Mainstreet Index (RMI) was the weakest among the surveyed states. The RMI for April expanded to 15.6 from 12.0. Farmland prices continue to struggle with an April reading of 11.6, down from March’s 21.2.

Iowa: The state’s Rural Mainstreet Index (RMI) remained weak, according to the monthly survey of bank CEOs. The RMI for April advanced to 18.1 from 17.5 in March and 15.0 in February. The farmland-price index was also below growth neutral with an April index of 34.3, which was higher than March’s 27.6 and February’s 34.0. Weather will be an important factor affecting the state’s rural economy in the months ahead. As stated by Charles Helscher, president of Farmers Savings Bank in Keota, Iowa, “We need some sunshine and warm temperatures to get soil temps up. If we get that, a lot of planters will be rolling.”

Kansas: The Kansas Rural Mainstreet Index (RMI), like much of the region, remained very weak. The April RMI grew to 19.0 from March’s 17.5. The April farmland-price index stood at 36.2, up from March’s 29.0.

Minnesota: Minnesota’s Rural Mainstreet Index dipped to 15.9 from March’s 16.2. The farmland-price index expanded to 30.2 from 24.2 in March and 22.2 in February. According to Pete Haddeland, CEO of First National Bank in Mahanomen, “Conditions are very wet up here in the Red River Valley. The farmers are hoping for some drying days.”

Missouri: Missouri’s Rural Mainstreet Index advanced to a still weak 16.1 from March’s 11.4. The April farmland-price index expanded to 30.5 from March’s 24.5.

Montana: Too few banks responded in April to calculate an index.

Nebraska: As in past months, Nebraska’s Rural Mainstreet Index (RMI) continued to struggle. The April RMI stood at 20.3, up from March’s 14.5 and February’s 12.7. The Nebraska farmland-price index for April climbed to 38.6 from 30.9 in March. According to Kathy Thuman, president of Farmers State Bank in Maywood, “Farmers in southwest Nebraska have adopted a wait-and-see attitude and are proceeding with their usual schedule. There is some fear that input costs could rise dramatically, but there is no realization of that fear yet.” Regarding farm input costs, Jim Stanosheck, CEO of State Bank in Odell, said, “The area co-op bet that the price of fertilizer would continue to go up and, when it did not, they were slow in bringing down the cost for fertilizer. For a while, the independent suppliers were pricing fertilizer at 60 percent of the co-op price.

North Dakota: The state’s Rural Mainstreet Index for April dipped to 32.8 from March’s 52.2. The state’s April farmland-price index rose to 62.3, the highest in the region, up from March’s 50.0.

South Dakota: The state’s Rural Mainstreet Index (RMI) remained frail with an April RMI of 22.9, up slightly from March’s 22.3. South Dakota’s farmland-price index expanded to 43.5 from March’s 34.9.

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Wyoming: While much of the region and nation struggled economically, Wyoming's Rural Mainstreet Index (RMI) remained strong, though less so than this time last year. The March RMI rose sharply to a regional high of 61.2 from February's 29.3. The March ranch- and farmland- price index was also a solid 54.6. According to Bob Sutter, vice chair of Hilltop National Bank in Casper, "While the oil and gas activity continues to sag, the rest of mainstreet may be finding a bottom. Wind energy continues to be in the news with a lot of conversation, however activity in generator construction may not happen until there is increased strength in fossil fuel prices."

Tables 1 and 2 below summarize findings from the April survey with an index above 50.0 indicating growth and an index below 50.0 signifying weakness. Next month's survey results will be released on the third Thursday of the month, May 21.

	<u>Apr-08</u>	<u>Mar-09</u>	<u>Apr-09</u>
Area economic index	47.5	18.7	21.7
Loan volume	57.3	46.2	50.8
Checking deposits	54.8	67.4	66.7
Certificates of deposit	57.3	62.9	61.0
Farmland prices	71.3	33.1	41.2
Farm-equipment area sales	71.4	30.0	29.6
Home sales	33.6	24.6	30.8
Hiring	43.4	23.0	15.8
Retail business	40.3	18.7	20.5
Confidence index (area economy six months out)	36.9	35.9	45.6

	Declined by more than 10%	Declined by less than 10%	Did not Decline
1. Over the past year, residential housing prices in your area have	25.5%	56.9%	17.6%
	<u>Yes</u>	<u>Not sure</u>	<u>No</u>
2. Have agricultural producers projected fertilizer input costs gone down in the last 150 days?	60.8%	23.5%	15.7%
	Up significantly	Up moderately	Same or Down
3. Compared to one year ago, loan delinquencies rates are	12.0%	52.0%	36.0%

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