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## Rural Mainstreet Economy Stalls for April: Farm and Ranch Land Prices Head Higher

### **April Survey Results at a Glance**

- Rural Mainstreet Index declines below growth neutral.
- Farm and ranch land prices expand above growth neutral for third straight month.
- Farm equipment sales expand for the first time since September 2008.
- More than 80 percent of bankers support extension of a blender credit for ethanol production, set to expire at the end of 2010.
- Almost 60 percent of bankers think government should not intervene to save failing banks.

### **For Immediate Release: April 15, 2010**

OMAHA, Neb. – For the second time in the past three months, the overall index for the Rural Mainstreet economy declined and remained below growth neutral, according to the April survey of bank CEOs in a 10-state region.

The Rural Mainstreet Index (RMI), which ranges between 0 and 100, sank to 44.2 from 47.4 in March. Despite the pullback, the index is more than double the reading of 21.7 for April 2009. A reading of 50.0 is considered growth neutral.

“The RMI has remained below growth neutral for 26 consecutive months. However, over the past several months, the RMI has been trending upward. While the negatives are clearly getting less negative as the agricultural economy improves, urban economies in the area are outperforming the rural,” said Creighton University economist Ernie Goss. Goss and Bill McQuillan, CEO of CNB Community Bank of Greeley, Neb., created the monthly economic survey in 2005.

The farmland-price index moved above growth neutral for a third straight month to 59.5 from 58.2 in March. After beginning a downward slide in spring 2008, farm and ranch land prices have once again begun to grow. Increases were typified by comments such as that of Michael Johnson, CEO of Swedish American State Bank

in Courtland, Kan., “Approximately 800 acres of dryland sold two weeks ago at an all time high.” In Utica, Neb., Larry Rogers, executive vice president of First Bank, reported one sale that brought \$8,025 per acre for a 143-acre farm.

The farm equipment-sales index soared to 57.2 from March’s 41.4 and February’s 42.4. Prior to February, both farmland price growth and farm equipment sales had been slipping. “We are tracking significant improvements in farm and ranch land prices and farm equipment sales. I expect both of these factors to remain healthy in the months ahead,” said Goss.

According to John Schmaderer, president of Tri-County Bank in Stuart, Neb., increases in cattle prices are having a positive impact on producers in the area.

This month, bank CEOs were asked about their support or opposition to too-big-to-fail policies for banking. Of the bankers, 57 percent think the federal government should not intervene and should instead allow the market to decide failures and successes. Nancy Ruyle, CEO of Citizens Bank in Rogersville, Mo., summarized much of the opinion saying that “‘Too big to fail’ should go away, or they (banks) should have their own fund for insurance.”

For a second straight month, all bank indicators were healthy. Loan volumes advanced to 61.1 from March’s 55.2 and February’s weak 43.7. For April, the checking-deposit index climbed to 62.7 from 56.2 in March. The index for certificates of deposit and other savings instruments slipped to 52.5 from 54.4 in March.

Hiring in rural areas has yet to bounce above growth neutral. However, the new-hiring index moved higher to 46.7 from March’s 45.7. This was the 28th consecutive month that the index has been below growth neutral. Only 10 percent of the bankers said hiring was up from last month, while 17 percent of bank CEOs reported that April hiring was down from March. “Despite a weak hiring index, the rate of job losses for Rural Mainstreet is approximately one-fourth of what the region was experiencing just six months ago,” said Goss, the Jack A. MacAllister Chair in Regional Economics at Creighton.

Bank CEOs were also asked whether they support the extension of a 45-cent-per-gallon blender credit for ethanol production beyond Dec. 31. Approximately 82 percent of the bankers indicated that this incentive should be extended; only 8 percent were opposed to the extension. Ten percent were unsure.

Retail sales were less than healthy for the month with an April retail-sales index of 43.4, up from March’s 42.4.

For the first time since June 2007, the home-sales index rose above growth neutral for Rural Mainstreet. The home-sales index bounced higher to 52.5, from 46.5 in March and 37.5 in February. “With the end of the tax credit for first-time home buyers on April 30, we are tracking upturns in home buying in the region,” said Goss.

However, Dale Bradley, CEO of Citizens State Bank in Miltonvale, Kan., expects more real estate foreclosures on the horizon. This could hamper any housing recovery, he said.

Each month, community bank presidents and CEOs in nonurban, agriculturally and resource-dependent portions of the 10-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, Nebraska, North Dakota, South Dakota and Wyoming are included.

This survey represents an early snapshot of the economy of rural, agriculturally and energy-dependent portions of the nation. The Rural Mainstreet Index is a unique index covering 10 regional states, focusing on approximately 200 rural communities with an average population of 1,300. It gives the most current real-time analysis of the rural economy.

**Colorado:** Colorado’s RMI slipped to 38.4 from March’s 44.3. The April ranch- and farmland-price index rose to 58.0 from 55.1 in March and 51.9 in February. The state’s farm-equipment sales index stood at a healthy 54.2. Dale Leighty CEO of First National Bank of Las Animas, argues that “‘too-big-to-fail’ institutions should be downsized and/or broken up.”

**Illinois:** The Illinois RMI once again dipped below growth neutral. The RMI for April slumped to 42.5 from

March's 47.9 but was well above February's 34.8. For a third straight month, farmland prices advanced with an April reading of 60.7, which was above March's 58.7. Farm- equipment sales for April were healthy with a reading of 56.9. Kent Siltman, president of Citizens First State Bank in Walnut said, "Financial companies that are 'too big to fail' need to be downsized to the point that they are no longer a threat."

**Iowa:** The state's RMI once again moved below growth neutral, according to the monthly survey of bank CEOs in the state. The RMI for April sank to 43.0 from March's 48.0, but it was higher than February's 37.1. The farmland-price index climbed to 61.0 from 58.8 in March. Iowa's farm-equipment sales index bounced up to 57.2, reflecting an expansion in sales. Larry Winum, president of Glenwood State Bank in Glenwood, like other bankers, was not supportive of too-big to-fail-policies. He said, "The federal government has proven two times over the past 30 years that it will allow a systemically important financial institution to fail."

**Kansas:** The state's RMI, like much of the region, again was below growth neutral 50.0 for the month. The index dipped to 43.5 from March's 48.6. The farmland-price index climbed to 61.3 from 59.4 in March. The April agriculture-equipment sales index was a healthy 57.5.

**Minnesota:** The state's RMI slumped to 45.0 from March's 49.0. Minnesota's farmland-price index advanced to 62.3 from March's 59.8. New hiring among Rural Mainstreet businesses remained weak with a March index of 47.3, but it was up from February's 34.5. Pete Haddeland, CEO of First National Bank in Mahanomen, said, "There are two classes of banks in America – the smalls and the 19 big banks. The big banks can hide behind questionable accounting; the government will do nothing to them."

**Missouri:** The Missouri RMI declined to 46.7 from March's 48.3. The April farmland-price index expanded to 63.5 from March's 59.1. The April farm-equipment sales index was a solid 59.7.

**Nebraska:** The April RMI for Nebraska sank to 44.6 from March's almost growth neutral 49.7. The farmland-price index for April climbed to 62.1 from 60.5 in March and 54.7 in February. The state's farm-equipment sales improved to 58.3 for the month. According to Kelley Hammerlun, branch manager of Pinnacle Bank in Imperial, "No entity should be allowed to grow to the point that the government will not allow them to fail."

**North Dakota:** For the 11th straight month, North Dakota's RMI was the highest in the region. However, the index slipped below growth neutral to 47.3 from March's much stronger 57.3. North Dakota's farmland-price index climbed to 63.9 from 59.8 in March. Farm-equipment sales were a vigorous 60.1 for the month of April.

**South Dakota:** The RMI for South Dakota remained below growth neutral with an April reading of 43.7, down from 49.2 in March. The state's farmland-price index advanced to 61.5 from March's 60.0. South Dakota's farm-equipment sales index was 57.7 for April.

**Wyoming:** Wyoming' RMI for April slipped to 39.5 from March's 46.0. The April ranch- and farmland-price index advanced to 58.7 from 56.8 in March and 50.5 in February. As in the other states, agriculture-equipment sales were solid with an April index of 54.9.

Tables 1 and 2 summarize survey findings. Next month's survey results will be released on the third Thursday of the month, May 20.

Table 1: Rural Mainstreet Economy for Last Two Months and One Year Ago: (index > 50 indicates expansion)			
	<u>Apr-09</u>	<b>Mar-10</b>	<b>April-10</b>
Area economic index	21.7	47.4	44.2
Loan volume	50.8	55.2	61.1
Checking deposits	66.7	56.2	62.7
Certificates of deposit & savings instruments	61.0	54.4	52.5
Farmland prices	41.2	58.2	59.5
Farm-equipment area sales	29.6	41.4	57.2
Home sales	30.8	46.5	52.5
Hiring	15.8	45.7	46.7
Retail business	20.5	42.4	43.4
Confidence index (area economy six months out)	45.6	54.3	60.2

Table 2: The Rural Mainstreet Economy

	Important or Very important	Neutral Impact	Negative Impact
1. How important is the revival of a \$1-per-gallon biodiesel tax credit to the economy in your area?	72%	28%	0%
	Not intervene; let markets decide	Support only biggest banks	Support all banking
2. In terms of the policy of 'too big to fail' in banking, what should the federal government do?	57%	0%	43%
	Yes	Not Sure	No
3. Should the 45-cent-per-gallon blender credit for ethanol production be extended beyond its Dec. 31, 2010, expiration date?	82%	10%	8%

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