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Rural Mainstreet Economic Index Doubles from March 2009:

March Survey Results at a Glance

- Rural Mainstreet index soars to highest level in almost two years.
- Farm and ranch land index expands above growth neutral for second straight month.
- Largest economic challenges for ethanol production; 30 percent listed lack of government incentives while 24 percent indicated the availability of venture capital funds.
- Approximately 60 percent of bankers expect requirements for escrow of insurance and taxes on residential loans to reduce housing loans in 2010.

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OMAHA, Neb. – For the sixth time in the past seven months, the overall index for the Rural Mainstreet economy rose, but it continues to remain below growth neutral, according to the March survey of bank CEOs in a 10-state region.

The Rural Mainstreet Index (RMI), which ranges between 0 and 100, soared to 47.4 from February's 36.6. The reading is more than double the 18.7 recorded for March of 2009. A reading of 50.0 is considered growth neutral.

“The RMI has remained below growth neutral for 25 consecutive months. However, over the past several months, the RMI has been trending upward. We can safely say that the negatives are getting decisively less negative as the farming and ranching economies improve. Even so, economic conditions are weaker in the rural areas than in the urban areas of the region as the softer 2009 farm economy continues to work through Rural Mainstreet businesses in the region,”

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 second straight month to 58.2 from 52.8 in February. For the next six months, almost one in four, or 24 percent, of the bankers expect farm and ranch land to decline in value while 14 percent expect farm and ranch land to increase in price.

On the other hand, the farm equipment-sales index slipped to 41.4 from February's 42.4. Prior to February of this year, both farmland price growth and farm equipment sales had been slipping. "I expect farm equipment sales to pick up as the farm and ranch economies improve in the months ahead," said Goss.

This month bank CEOs were asked to identify how the new Regulation Z, which requires the escrow of real estate taxes and insurance for residential real estate, will affect their lending. More than 60 percent of the bank CEOs expect to reduce the number of housing loans due to this regulation. However, Joe Conover with Northwest Bank in Okoboji, Iowa, expects little impact from Regulation Z since it will apply only to high-priced houses.

Jeffrey Gerhart, CEO of the Bank of Newman Grove in Newman Grove, Neb., argues that banks need to be watching current banking legislation before Congress for negative impacts on rural banks and the communities they serve.

Contrary to recent months, loan-volumes improved significantly to 55.2 from February's weak 43.7. For March, the checking-deposit index climbed to 56.2 from 52.8 in February. The index for certificates of deposit and other savings instruments expanded to 54.4 from 50.9 in February.

Hiring in rural areas has yet to bounce above growth neutral. However, the new-hiring index moved higher to 45.7 from February's 34.8 and January's 40.1. This was the 27th consecutive month that the index has been below growth neutral. Only 14 percent of bankers said hiring was up from last month. "The Rural Mainstreet economy continues to lose jobs at an annualized rate of roughly 2 percent. While this is well above the rate of job losses for urban areas, the pace of job losses has slowed from the 4 percent pace experienced in previous months," said Goss, the Jack A. MacAllister Chair in Regional Economics at Creighton.

Bank CEO's were also asked about the impact of ethanol production on the Rural Mainstreet Economy. Approximately 27 percent expect ethanol production in their area to expand by more than 10 percent from 2009 levels. More than four in ten bankers anticipate that ethanol production for 2010 will grow by more than five percent. Asked about the biggest economic challenge for ethanol production in their area, 30 percent listed the lack of government incentives as the largest hurdle, while 24 percent indicated that the availability of venture capital funds was the most significant 2010 challenge for ethanol producers.

Tom Boyer, president of Farmers State Bank in Fairmont, Neb. says that his conversations with local ethanol plant managers indicated that their biggest challenge for 2010 would be the lifting of tariffs on imported ethanol from Brazil.

Like much of the nation, retail sales were less than healthy for the month with a February retail-sales index of 42.4, which was up dramatically from February's 32.4.

Just like the recently released national housing data, home sales for Rural Mainstreet were not good for March, though the home-sales index did improve to 46.5 from 37.5 in February.

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. Additional surveys were completed by Montana bankers but not reported separately.

This survey represents an early snapshot of the economy of rural, agriculturally and energy-dependent portions of the nation. The Rural Mainstreet Index (RMI) is a unique index covering 11 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 climbed to 44.3 from 35.7 February and 40.3 in January. The March ranch- and farmland-price index rose to 55.1 from February's 51.9. The state's Rural Mainstreet new hiring index grew from 33.9 in February to 42.6 in March.

Illinois: The Illinois RMI once again moved below growth neutral. The RMI for March advanced to 47.9 from February's 34.8 and January's 38.4. For a second straight month farmland prices advanced, the March reading of 58.7 was well up from February's 51.0. Hiring in rural agriculturally dependent areas of the state remained weak with a March new hiring index of 46.2, which was a significant gain from February's 33.0.

Iowa: Iowa's RMI once again moved below growth neutral according to the monthly survey of bank CEOs in the state. The RMI for March climbed to 48.0 from February's 37.1. The farmland-price index climbed above growth neutral to 58.8 from 53.3 in February. Iowa's new hiring index for March was up at 46.3 from February's frail 35.3.

Kansas: The Kansas RMI, like much of the region, was below growth neutral 50.0. The index rose to 48.6 from February's 34.9 and January's 39.0. The farmland-price index climbed to 59.4 from 51.1 in February. The March new hiring index for the state was a weak but higher 46.9 from February's 33.1.

Minnesota: Minnesota's RMI progressed to 49.0 from February's 36.3 and January's 39.8. The state's farmland-price index advanced to 59.8 from February's 52.5 and January's 46.3. New hiring among Rural Mainstreet businesses remained weak with a March index of 47.3, but was up from February's 34.5.

Missouri: The Missouri RMI increased to 48.3 from February's 37.0. The March farmland-price index grew to 59.1 from 53.2 in February and 48.0 in January. New hiring in rural areas of

the state was less negative for March with a reading of 46.6, which was well up from February's 35.2.

Nebraska: The March RMI for Nebraska soared to 49.7 from February's 38.5. The farmland-price index for March climbed to 60.5 from 54.7 in February. The state's rural areas continue to lose jobs as the new hiring index for March was 48.0, though it was an improvement over February's 36.7. Larry Rogers, executive vice president of First Bank of Utica, reported that farmers are seeing very healthy growth while a few businesses on Mainstreet are experiencing tougher economic times.

North Dakota: For the 10th straight month, North Dakota's RMI was the highest in the region. The index rocketed to 57.3 from February's 48.1 and January's 52.1. North Dakota's farmland-price index climbed to 59.8 from February's 58.3. Layoffs were almost equal to new hiring with a March new hiring index of 49.6, which was well up from February's 40.3.

South Dakota: The RMI for South Dakota remained below growth neutral with a March reading of 49.2, up from February's 38.5. The state's farmland-price index climbed to 60.0 from February's 54.7. South Dakota's new hiring index was 47.5, up from February's 36.7.

Wyoming: The Wyoming RMI for March advanced to 46.0 from February's 34.3. The March ranch- and farmland-price index advanced to 56.8 from 50.5 in February. As in the other states, businesses laid off more workers than they hired as the new hiring index rose to 44.3 from 32.5 in February.

Table 1 and 2 summarize survey findings. Next month's survey results will be released on the third Thursday of the month, April 15.

Table 1: Rural Mainstreet Economy for Last Two Months and One Year Ago: (index > 50 indicates expansion)			
	Mar-09	Feb-10	Mar-10
Area economic index	18.7	36.6	47.4
Loan volume	46.2	43.7	55.2
Checking deposits	67.4	52.8	56.2
Certificates of deposit & savings instruments	62.9	50.9	54.4
Farmland prices	33.1	52.8	58.2
Farm-equipment area sales	30.0	42.4	41.4
Home sales	24.6	37.5	46.5
Hiring	23.0	34.8	45.7
Retail business	18.7	32.4	42.4
Confidence index (area economy six months out)	35.9	52.8	54.3

Table 2: The Rural Mainstreet Economy				
	More than 1%	No Change	Decline by more than 1% Other	
1. For the next 6-months, how much do you expect farm land prices change:	14%	62%	24%	
	Reduce the number of housing loans	Have little or no impact on home lending	Unsure of the impacts	
2. The new Regulation Z which requires the escrow of real estate taxes and insurance for residential real estate will:	60%	25%	15%	
	High corn prices	Availability of venture capital	Lack of Gov. incentives	Other factors
3. Which of the following will be the biggest economic challenge for ethanol production for 2010?	17%	24%	30%	29%

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