The Regional Economy-Black Swans & Golden Geese: Surveys of Supply Managers & Bank CEOs

(What Happens on the Farm Does Not Stay on the Farm)

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2019 issues

* EXPORT HEADWINDS -- LESS COMPETITIVELY PRICED ABROAD – TRUMP TRADE SKIRMISHES
* HIGHER INFLATION?? TARIFFS?
* HIGHER INTEREST RATES? HOW MUCH?
* INFRASTRUCTURE SPENDING INVITES RATE HIKE FROM FED (DEFICITS > $1 TRILLION)
* GOVERNMENT SHUTDOWN
* INFLATION OR ASSET BUBBLES. WHAT'S THE DIFFERENCE?
* CHINESE YUAN HAS DECLINED BY 10.2% FROM FEBRUARY 2018 (REDUCES IMPACT OF TARIFFS)
* BIGGEST 2019 CHALLENGE - 43% SAY FARM LOAN DEFAULTS
“May you live in interesting times.”

- Swiss government bond maturing in 2066:
  - Price July 16, 2016; $1,000 (U.S. dollars)
  - Yield = -0.02% (2016); +0.70% (today)
  - Assuming 1% inflation; Net present value = $607 (at issuance)

- Investors that bought in 2016 made money, ROR = 16.4% (2016-17)

- Greater fool theory? Who Is It?
Where Are the Price Bubbles?
Black Swans? High prices drive ROR down

- Bond prices? Rate-of-Return = 2.70%
- Stock prices? ROR (Case-Shiller S&P) = 3.0% to 3.2%
- Farm ETF? MOO = +3.75%
- Ag Land? Price Change = -3.0% next year; -4.0% last year
- Ag Equipment Sales? -7.8%
- Annual growth home prices = 5.7%
- Bitcoin > $1,000 to 19,000 (today = $3,446)
Federal Reserve balance sheet vs. Funds Rate, 2000-19

- **Funds rate**
- **Federal Reserve balance sheet (right axis)**

*Head Winds*
Total farm earnings (in billions) vs. value of $
Bank failures by year, 1998-2017

- Rural Mainstreet
- Percent of U.S.
YOY % change in farmland, 2013-18

- 2013: 13.7%
- 2014: 1.5%
- 2015: -1.0%
- 2016: 7.3%
- 2017: 5.3%
- 2018: -1.0%

Dryland
Irrigated
Ranchland
Food as percent total exports (right axis)

2017

U.S. 8.7%
CO 22.8%
IL 10.6%
IA 34.3%
KS 34.1%
MN 11.3%
MO 13.0%
NE 51.9%
ND 13.3%
SD 34.9%
WY 0.9%
## Rural Mainstreet export comparisons, 2007-14 and 2014-17

<table>
<thead>
<tr>
<th>Ranking</th>
<th>Growth 2007-14</th>
<th>Yearly growth 2007-14 (QE1, QE2, QE3)</th>
<th>Yearly growth 2014-17 (No QE)</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S.</td>
<td>*</td>
<td>5.9%</td>
<td>-1.5%</td>
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<tr>
<td>Arkansas</td>
<td>18</td>
<td>5.8%</td>
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<td>Illinois</td>
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<td>Minnesota</td>
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<td>Missouri</td>
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<td>Oklahoma</td>
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<tr>
<td>South Dakota</td>
<td>47</td>
<td>0.8%</td>
<td>-4.6%</td>
</tr>
</tbody>
</table>
The Rural Mainstreet Economy: Survey of Bank CEOs
Average Community Size = 1,300

A Partnership Among Creighton and Bank CEOs in 10 States
Bullish on Rural Mainstreet: **Long term**

- **Fast growth for emerging economies (China, India):** Food & energy demand income elastic (e.g. income up 8%, food demand up 12%)

- **Alternative energy production initiative:** wind farms, ethanol, anaerobic digestion.

- **U.S. & Mid-America—energy jugernauts**

- **Trade is a powerful ag & energy force**
The Regional Economy: Survey of Purchasing Managers & Business Leaders

A Partnership Among Creighton and State Supply Managers Associations
U.S., Mid-America, Rural Mainstreet, Economic Indicators, 2016-19

Graph showing trends in economic indicators for the U.S., Mid-America, and Rural Mainstreet from January 2016 to December 2019.
Indicators to Watch (January-February)

- ISM readings (Creighton & National (March 1))
- Wages (March 1) Jan. jobs report.
- 10-Year U.S. Treasury (Daily)
- The yield curve (daily)
- Consumer Price Index (Feb. 13)
Questions?
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