

# IOWA ECONOMIC SCORECARD

Volume 22, Number 2

May 2014

## Rural Mainstreet Economy for April Strengthens: Regulations Sink Rural Home Lending

By Dr. Ernie Goss, Creighton University, Jack A. MacAllister Chair in Regional Economics

After moving below growth neutral in February, the Rural Mainstreet economy has moved above the 50.0 threshold for two straight months according to April's survey of bank CEOs in the ten-state area.

**Overall:** The Rural Mainstreet Index (RMI), which ranges between 0 and 100, with 50.0 representing growth neutral, increased to 53.2 from 50.1 in March and 48.4 in February. The overall index for the Rural Mainstreet economy indicates that the areas of the nation highly dependent on agriculture and energy are experiencing much slower growth than for the same period in 2013. However, recent boosts to agriculture commodity prices should boost the economy in the months ahead.

Bankers were asked to name the biggest challenge for farmers for this year's planting season. Almost one-third, or 31.5 percent, reported that low agriculture-commodity prices were the greatest threat to farming profitability. Approximately 27.8 named lack of adequate moisture and 27.6 indicated high input prices were the biggest challenges for crop farm operations. Another 13.0 percent indicated high cash rents represented the greatest 2014 challenge for crop farmers.

**Farming and ranching:** The farmland and ranchland-price index for April increased slightly to 42.9 from March's very weak 40.9. This is the fifth straight month that the farmland and ranchland-price index has moved below growth neutral. With the Federal Reserve continuing to withdraw its economic stimulus, rising interest rates will put even more downward pressures on farmland prices and cash rents.

Farm equipment sales remained below growth neutral for the tenth straight month. The April index rose to a frail 36.7 from March's even weaker 29.3. Agriculture equipment and implement dealers in the agriculture-based areas are experiencing very weak sales to farmers in the region even as farm equipment manufacturers are experiencing positive growth due to healthy sales abroad.

This month bankers were also asked to estimate the break-even price for corn production in their service area. Bank CEOs, on average, indicated that the break-even corn price was approximately \$4.30 per bushel. This is down from a break-even price of \$4.84 recorded in our February 2013 report. Jim Ashworth, President of Carlinville National Bank in Carlinville, Ill., said, "Of course, break-even is different for each farmer; yet for mid-Illinois corn we believe our range is \$3.75 - \$4.25."

**Banking:** The loan-volume index advanced to a robust 73.1 from March's 65.5. The checking-deposit index slipped to 65.1 from 65.5 in March, while the index for certificates of deposit and other savings instruments dipped to 42.0 from March's 42.5. Bankers also reported on factors restraining loan demand for their banks. More than one-third, or 34.7 percent, indicated that loan demand was normal. However,

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IOWA ECONOMIC SCORECARD is our quarterly economic forecast, arriving in February, May, August, and November. It consists of statistics about and analysis of the Iowa economy.

IOWA ECONOMIC SCORECARD is published by Public Interest Institute at Iowa Wesleyan College, a nonpartisan, nonprofit, research and educational institute, whose activities are supported by contributions from private individuals, corporations, companies, and foundations. The Institute does not accept government grants.

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A Publication of: Public Interest Institute at Iowa Wesleyan College, 600 North Jackson Street, Mount Pleasant, Iowa 52641-1328.

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44.9 percent reported that lack of demand from borrowers was limiting lending. More than 10 percent detailed lending pullbacks due to poor credit quality of applicants. Additionally 10.2 percent of bankers reported that banking regulations were restricting loans.

**Hiring:** Rural Mainstreet businesses continue to hire at a solid pace. The April hiring index advanced to a very healthy 64.0 from 60.0 in March. While the farm economy slows, businesses on Rural Mainstreet continue to expand their payrolls. However, despite growing job additions, Rural Mainstreet employment is still below its pre-recession level.

**Confidence:** The confidence index, which reflects expectations for the economy six months out, expanded to 54.0 from last month's 47.3. An improving national economy, higher agriculture commodity prices, and passage of the farm bill pushed economic confidence among bankers higher for the month.

**Home and retail sales:** The April home-sales index soared to 63.8 from March's 51.8. The April retail-sales index rose to 50.0 from 49.2 in March. Improving weather encouraged an upturn in home purchases and an increase in the retail-sales index.

Bankers were asked if new compliance regulations have caused their bank to no longer make owner-occupied residential real estate loans. More than one-fourth, or 25.4 percent, indicated that their banks were no longer making owner-occupied residential real estate loans as a result of greater regulation.

Many other bankers reported that they would likely cease these loans in the future. For example, Dale Leighty, CEO of the First National Bank in Las Animas, Colorado, reported, "We are considering discontinuing residential loans due to regulations."

Larry Rogers of the First Bank of Utica in Utica, Nebraska, indicated the workload and exam requirements associated with greater regulations have become a huge time consumer. Rogers said that the rising regulations would help no one in rural Nebraska.

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**Iowa Specific Data:** The April 2014 RMI for Iowa expanded to 53.5 from March's 49.8. The farmland-price index for April advanced to 41.4 from March's 37.6. Iowa's new-hiring index for April rose to 61.6 from 56.3 in March.

## Why We Should Say “Yes” to a Culture of Marriage

By Rachel Sheffield, The Heritage Foundation

A *Slate* internet article published the week of April 21 suggests that because working-class men have more trouble today finding steady employment, women find it difficult to see them as good marriage partners. “For white working-class women,” the authors say, “it makes sense to stay single mothers.” While promoting pro-growth economic policy (as the authors propose) is important, retreating from marriage is not the answer. Restoring a marriage culture is essential for the welfare of men, women, and children.

Cultural changes have resulted in a society where unwed childbearing is acceptable and, in some communities, the norm. Tragically, the retreat from marriage and the rise of unwed births are associated with poorer outcomes, not only for men and women, but also for children and society.

Children born into single-parent homes are more than five times as likely to be poor compared to their peers from married-parent families. They are also less likely to graduate from high school (or college) and more likely to engage in delinquent behavior or abuse drugs and alcohol. They also have a higher probability of bearing or fathering children outside marriage.

Not only do these outcomes diminish opportunity for the future generations, they also prove costly to society. Roughly three-quarters of families on welfare are headed by single parents.

Restoring a marriage culture means striving to increase the number of children born to married parents. It means helping prepare young people for their marriage commitment. This is a culture in which men, women, and children are most likely to thrive, building the foundation of a strong society.

The reality is that although many single mothers aren’t marrying, it isn’t necessarily because they don’t want to be married. Many lower-income single mothers — and likely the same is true for working-class mothers — highly value marriage. They hesitate to marry, however, because they are afraid of a bad or failed marriage. They place marriage on a pedestal, believing that it’s something people do once they have arrived at a certain place in life rather than a step on the path to upward mobility.

It is crucial that effort is made at every level of society to help men and women — particularly those in low-income and working-class communities — build and maintain healthy marriages. Churches, charities, and other institutions should develop and carry out plans to help young adults achieve their dreams of healthy and stable marriages. Efforts should also be made to help couples maintain their marriages.

The trend of family breakdown must be reversed. Strong families are the nation’s most precious resource, and we need to get serious about building and maintaining them.

*Reprinted with permission of the Heritage Foundation, The Foundry, originally published April 25, 2014, <<http://blog.heritage.org/2014/04/25/say-yes-culture-marriage/>>.*

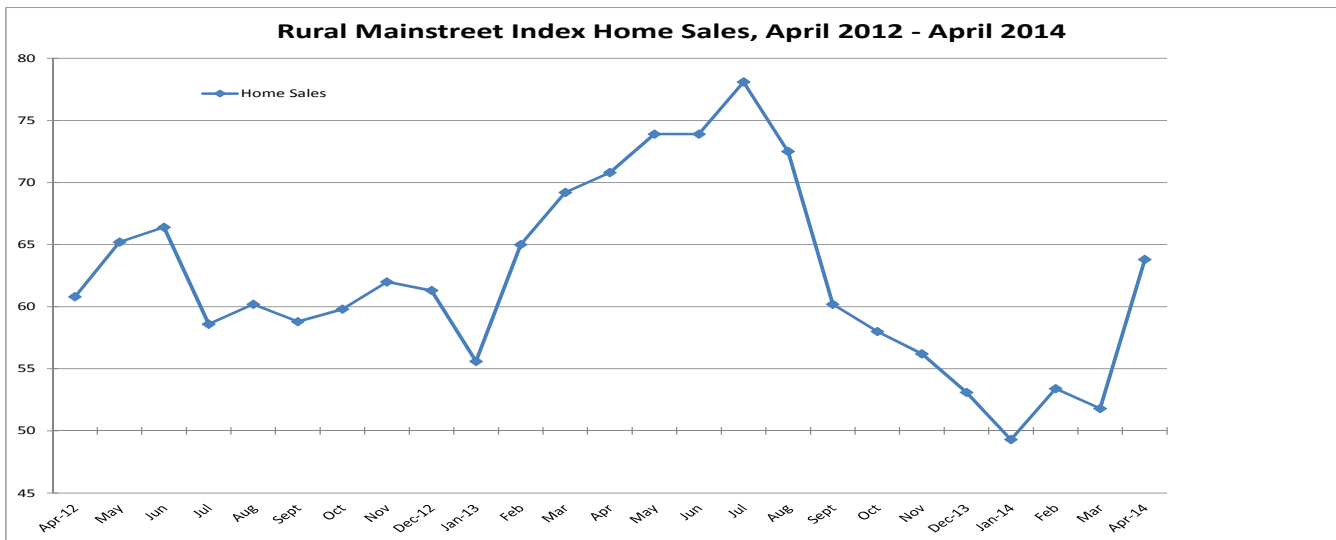
### State of Iowa Income and Children in Poverty Data

	Married Women	Single Women
<b>Children Living With 2 vs 1 Parent</b>	70%	21.40%
<b>Median Household Income</b>	\$73,685	\$29,460
<b>Households With Children &lt; 18 in Poverty</b>	5.4%	<b>39.5%</b>

*Source: Iowa State Data Center - Women In Iowa 2014, <<http://www.iowadatatcenter.org/Publications/women2014.pdf>>.*

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According to the Rural Mainstreet data from Creighton University, home sales in the ten-state upper Midwest region have fluctuated wildly in the last 18 months and are being negatively affected by increased federal regulations. Some of this is also due to inclement winter weather. A 50 score is considered “growth neutral,” below 50 is negative, and above 50 is positive. The Iowa Association of Realtors reported that February 2014 sales were down by 5.1 percent from February 2013. March sales in Iowa were down by 16 percent from 2013, from 2,743 to 2,344 single-family homes.