Luddites Against GMOs and Fracking

But GMOs & Fracking Good for Environment and Pocketbook

Luddites, or anti-technology progressives, are placing ballot initiatives before voters to require labeling of genetically modified (GM) products and to limit natural gas fracking. Just last week, Washington state citizens rejected Initiative 522, which would have required labeling of all GM foods on supermarket shelves by 2015, while in Colorado, three of four communities voted to proceed with restrictions on natural gas fracking. It has been estimated that both GM farm products and fracking have reduced food and energy costs significantly. It has been estimated that GM products have resulted in a 15%-20% reduction in food costs (http://tinyurl.com/kRvjm1) and fracking has cut yearly energy costs by $2,000 per household (http://tinyurl.com/nvypkd1). Furthermore, replacing GM food with traditional farm products damages the environment since non-GM food production requires more pesticides and other chemicals that result in negative impacts on the environment. And unlike fracking, electricity generation from conventional coal/oil introduces more pollutants into the air than does natural gas electricity production. Additionally, no studies to-date have demonstrated that fracking has negatively affected the environment or ground water. However, data do show that the lowest quintile of U.S. earners spend 36% of their income on food and 23% on utilities, while the highest one-fifth of U.S. earners spend only 7% of their income on food and 3% on utilities. Thus, increases in food or utility costs coming from limiting or stopping GM farming or natural gas fracking will differentially and negatively affect low income families in the U.S. Anti-technology, anti-science Luddites are attempting to push farmers and energy providers back to the techniques and technologies of the last millennium with resultant higher costs to the U.S. consumer and negative environmental impacts. Ernie Goss.

MAINSTREET RESULTS

Growth Expands for Rural Mainstreet Economy: Federal Shutdown Affecting One-Fourth

Tables 1 below summarizes the findings from the September survey with an index above 50.0 indicating growth and an index below 50.0 signifying weakness. [Index > 50.0 indicates expansion]

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<tbody>
<tr>
<td>Area Economic Index</td>
<td>56.6</td>
<td>52.4</td>
<td>54.3</td>
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<tr>
<td>Loan volume</td>
<td>44.2</td>
<td>73.5</td>
<td>64.7</td>
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<tr>
<td>Checking deposits</td>
<td>66.7</td>
<td>56.3</td>
<td>48.3</td>
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<tr>
<td>Certificate of deposits</td>
<td>42.0</td>
<td>43.8</td>
<td>35.4</td>
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<tr>
<td>Farm land prices</td>
<td>71.7</td>
<td>54.0</td>
<td>50.9</td>
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<tr>
<td>Farm equipment area sales</td>
<td>60.5</td>
<td>48.3</td>
<td>44.6</td>
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<tr>
<td>Home sales</td>
<td>59.8</td>
<td>60.2</td>
<td>58.0</td>
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<tr>
<td>Hiring in the area</td>
<td>51.5</td>
<td>53.2</td>
<td>56.1</td>
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<tr>
<td>Retail Business</td>
<td>48.6</td>
<td>49.2</td>
<td>52.6</td>
</tr>
<tr>
<td>Economy 6 months from now</td>
<td>50.7</td>
<td>46.1</td>
<td>44.7</td>
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October Survey Results at a Glance:

- Rural Mainstreet Index indicates rural economy improved over the past month.
- October blizzards in Western Nebraska and South Dakota are expected to have significant negative impacts on livestock producers in the weeks and months ahead.
- Approximately one-fourth of bank CEOs reported that the federal shutdown had a negative impact on their local economy.
- Bankers expect cash farmland rents to expand by only 2.5 percent over the next 12 months.
- Approximately 87.9 percent of bankers support the construction of the Keystone XL pipeline.

Growth for the Rural Mainstreet economy remains positive according to the October survey of bank CEOs in a 10-state area. **Overall:** The Rural Mainstreet Index (RMI), which ranges between 0 and 100 with 50.0 representing growth neutral, rose for the first time since June of this year to 54.3 from 52.4 in September. While the overall index is up for the month, I still expect growth in the Rural Mainstreet Economy to continue to be positive but slower in the months ahead. Agriculture commodity prices for select products and times have declined significantly and are approaching breakeven for some producers.

**Farming:** The farmland-price index declined for the tenth time in the past eleven months. The October index fell to 50.9, its lowest level since January 2010, and down from September’s 54.0. Weaker agriculture commodity prices and poor weather conditions in some parts of the region lowered the farmland price index. Clearly, farmland price growth and cash rent expansions in the months ahead will not be as healthy as has been experienced in the past couple of years.

Even so, we are still seeing some record prices for crop land in the region. For example, James Brown, president of Hardin County Savings Bank in Eldora, IA reported a record sale of 80 acres in Grundy County last week at a price of $17,600 per acre.

The early snow storms in Nebraska and South Dakota are expected to have significant negative impacts on livestock producers in the months ahead. This will likely spill over into the broader economies in those areas. According to Todd Douglas, CEO of the First National Bank in Pierre, SD, “Recent record snowfall in Western SD is estimated to have caused up to 25,000 cattle deaths which will have a major impact on producers in the areas hit hardest by the storm.”

This month bankers were asked to how much they expect farmland cash rents to increase by over the next 12 months. On average, CEOs estimate that cash rents will expand by only 2.5 percent. This is down significantly from the 9.3 percent expected growth reported by bankers six months earlier. Bankers clearly expect farmland prices and rents to grow.

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at a much slower pace over the next year.
Farm equipment sales declined for the fourth straight month. The October index slumped to 44.6, its lowest level since March 2010, and down from 48.3 in September. Sales are declining and inventories are growing as farmers pull back on their purchases of big ticket items.

**Banking:** The loan-volume index remained above growth neutral for the month at 64.7, down from 73.5 in September. The checking-deposit index fell to 48.3 from September’s 56.3 while the index for certificates of deposit and other savings instruments plummeted to a very fragile 35.4 from 43.8 in September.

**Hiring:** October’s hiring index jumped to 56.1 from September’s 53.2. The upturn in hiring was unexpected and encouraging reflecting growth outside of agriculture.

Bankers were asked whether the President should approve construction of the northern portion of the Keystone XL pipeline. Almost nine of ten bankers, or 87.9 percent, supported construction of the northern portion of the Keystone XL pipeline. Only 3.5 percent were opposed with the remaining 8.7 percent indicating that they were unsure are had no opinion. However some bankers expressed very strong opposition to the XL pipeline. For example, Kelly Hammerlun, president of Pinnacle Bank in Imperial, Neb. said “The govt. should not allow any construction of the pipeline until they provide some assistance in regulating the contracts they are bullying the land owners into signing.” Hammerlun argues that the contracts are full of land owner liability down the road.

**Confidence:** The confidence index, which reflects expectations for the economy six months out, was unchanged from September’s weak 44.7. Our surveys were completed this week a day before the agreements were achieved in the U.S. Congress. The potential for a continuation of the federal government shutdown combined with the failure to raise the debt ceiling certainly weighed on bankers’ economic outlook.

This month we asked bankers to gauge the impact of partial federal government shutdown on the area economy. Approximately 25.9 assessed that the impact was negative while the remaining 74.1 reported little or no impact from the shutdown.

**Home and retail sales:** The October home-sales index declined to a still solid 58.0 from September’s 60.2. The October retail-sales index rose to 52.6 from 49.2 in September. With the uncertainty surrounding the Washington Congressional deliberations, I was surprised to see retail sales move higher. The Rural Mainstreet housing market continues to rebound at a healthy pace.

Each month, community bank presidents and CEOs in nonurban, agriculturally and energy-dependent portions of a 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 (RMI) 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. Goss and Bill McQuillan, president of CNB Community Bank of Greeley, Neb., created the monthly economic survey in 2005.

**MAIN$TREET ON YOUR $TREET**

**COLORADO**
For the 13th straight month, Colorado’s Rural Mainstreet Index (RMI) remained above 50.0. The October RMI advanced to a healthy 59.1, a regional high, from September’s 57.2. The farmland and ranchland price index fell to a still strong 65.1 from last month’s 67.7. Colorado’s hiring index for October expanded to 65.0 from September’s 62.4.

**ILLINOIS**
The RMI for Illinois advanced to 54.1 from September’s 52.2. The RMI has now remained at or above growth neutral for 13 straight months. Farmland prices slumped to 43.1 from 46.2 in September. The state’s new-hiring index rose to 50.4 from September’s 47.7. According to Jim Ashworth, vice chairman of CNB Bank & Trust in Carlinville, “Grain crop yields still being reported as ‘good,’ although the corn did not dry down as far as desired due to a relatively cool growing season.”

**IOWA**
The October RMI for Iowa climbed to 55.3 from September’s 53.4. The farmland-price index for October fell to 50.6 from 53.2 in September. Iowa’s new-hiring index for October rose to 55.4 from September’s 52.7.

**KANSAS**
The Kansas RMI for October rose to 53.6 from September’s 51.7. The farmland-price index for October slipped to 45.7 from September’s 48.2. The state’s new-hiring index increased to 52.1 from 49.4 in September. Dale Bradley, chairman of the Citizens State Bank in Miltonvale, typified some of the frustration with Washington saying, “We need a good farm bill to be passed.”

**MINNESOTA**
The October RMI for Minnesota expanded to 53.7 from 51.8 in September. Minnesota’s farmland-price index rose to a weak 48.3 from September’s 39.5. The new-hiring index expanded to 46.3 from September’s 43.6. According to Pete Haddeland, CEO of First National Bank in Mahnomen, “Crops look good but yields are down a little. Good harvest.”

**MISSOURI**
The October RMI for Missouri declined to a still solid 55.4 from September’s 56.8. The farmland-price index for October sank to 63.2 from September’s 81.0. Missouri’s new-hiring index expanded to 73.9 from September’s 71.3.

**NEBRASKA**
After moving below growth neutral for January, Nebraska's Rural Mainstreet Index has been above growth neutral for nine straight months. The October RMI increased to 54.9 from 53.0 in September. The farmland-price index for October dipped to 45.5 from September’s 48.1. Nebraska’s new-hiring index stood at 51.9 which was up from 49.3 in September. Bill McQuillan, president of CNB Community Bank in Greeley, said, “The Early 2013 soybean harvest yields are 10-15% above historical averages. Local cattle prices continue to be very, very strong & positive for our local producers.”

**NORTH DAKOTA**
The North Dakota RMI for October advanced to 57.9 from 56.0 in September. The farmland-price index plummeted to 45.5 from 70.0 in September. North Dakota’s new-hiring index grew to 66.6 from September’s 63.9. According to Todd Douglas, CEO of the First National Bank in Pierre, “Winter wheat progress is promising with the recent moisture over the rest of the state.”

**SOUTH DAKOTA**
The October RMI for South Dakota sank to 48.7 from September’s...
55.7. The farmland-price index for the state for October was unchanged from September’s 49.8. South Dakota’s new-hiring index for October expanded to 54.8 from 52.2 in September. According to David Callies, CEO of Miner County Bank in Howard, “Harvest is going well with yields about average. Government shut down continues to be a big problem.”

WYOMING
The October RMI for Wyoming expanded to 55.1 from September’s 53.2. The October farmland and ranchland price index slumped to 43.6 from 46.2 in September. Wyoming’s new-hiring index moved higher to 50.7 from September’s 48.0.

THE BULLISH NEWS

- The latest job report was far better than expected with 204,000 jobs added for October and an unemployment rate rising slightly to 7.3%.
- Home prices expanded by 12.8% between August 2012 and August 2013 or the fastest pace since just before the collapse. Another housing bubble is taking shape.
- Purchasing management indices (PMIs) from the national survey of supply managers shot up to a solid 56.4 while Creighton’s regional surveys nosedived for October.

THE BEARISH NEWS

- The U.S. economy continues to grow at an unacceptable rate with GDP expanding by only 2.8% (annualized) in the third quarter. Additionally, one-third of the growth came from expanding inventories. This will likely reduce quarter 4 growth.
- U.S. retail sales are growing but not fast enough. September sales decrease of 0.1% from the previous month, but were 3.2% above September 2012.
- In housing hot spots of Los Angeles and Miami, 60% of foreclosed properties are still occupied by the former owners. Be very careful bidding on these properties. You will not get a warranty deed but a quit claim.

WHAT TO WATCH

- PMIs: On Dec. 2, Creighton University and the Institute for Supply Management will release purchasing management indices (PMI) for November. This is the first economic data released in December. Keep and eye on the overall index and the jobs index. Any significant upturn could push the Federal Reserve to begin QE3 taper at their December 17-18 meetings.
- Jobs: On Friday Dec. 6, the U.S. Bureau of Labor Statistics (BLS) will release the employment report for November. Another very positive job report such as job growth above 200,000 will push the Fed to begin reducing its monthly bond buying program. This will have the impact of raising long-term interest rates.
- FOMC Meetings: On December 17 and 18, the Federal Reserve’s Open Market Committee meets to shape interest rate policy. They will likely announce when tapering of their $85 billion monthly bond buying program. Listen for members of the committee to “hint” at their likely decision well in advance of the meetings.

THE OUTLOOK

FROM GOSS:

- I am not as pessimistic as Morgan Stanley. I expect Christmas buying to be reasonably strong this year with growth of 3.5%-4.0% from last year.
- I expect the Federal Reserve to announce at their Dec. 17-18 meetings that they will begin tapering in January 2014. Long term interest rates will begin rising in advance of their December meeting.

OTHER FORECASTS:

- National Association of Business Economics (October 2013 survey). Results from NABE’s October 2013 In-dustry Survey suggest the economy continues to expand at a moderate pace,” said Timothy Gill, Chair of the NABE Industry Survey Committee and Deputy Chief Economist at the National Electrical Manufacturers Association. “Sales growth accelerated in the third quarter, despite potential headwinds such as rising interest rates and oil prices, and a renewed wave of policy uncertainty. Profit margins rebounded after weakening in the previous quarter, while gains in capital spending matched those reported in the first half of the year. In contrast, employment growth, though still solid, slowed in the third quarter, wage and salary growth also slowed, and plans for near-term hiring and capital spending moderated. Despite these quarter-to-quarter fluctuations, the latest readings for most of these indicators fall broadly in the middle of ranges observed in the current and in previous business cycle expansions.

GOSS EGGS

(RECENT DUMB ECONOMIC MOVES)

- Newly elected New York City mayor, Bill de Blasio, seeks to remedy income inequality—certainly a worthy goal. He vows to represent the 99% and tax the other 1%. The top 1% of earners (about 35,000 people) pay 43% of the city’s income taxes. Including federal and state taxes, they already face a top marginal rate of 55% or so. Raising that rate will be a real boost to Florida as more New Yorkers abandon the city for the warmer and more tax friendly environs. It may make him feel better but it will only make income inequality worse. Not surprisingly, Mr. de Blasio is a former community organizer with no business background.

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