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Bankers Report Record Farmland Price Index:

8 of 10 Expect Negatives from Stepped-Up Basis in Biden Plan

September Survey Results at a Glance:

Overall index declined for the fourth straight month, but remained in a range indicating slower, but positive, growth for the next several months.

Farmland price index soared to a record high.

More than eight of 10 bankers expect the stepped-up basis portion of President Biden’s $3.5 trillion bill to have a negative impact on the Rural Mainstreet economy.

Almost two-thirds of Bank CEOs expect the Federal Reserve to begin reducing their bond buying stimulus before the end of 2021.

More than half of bankers reported that the negatives from Covid-19 expanded in September.

Growth among the 10 states from top to bottom were: Minnesota (tops), Illinois, Colorado, South Dakota, Nebraska, Wyoming, Iowa, North Dakota, Kansas, and Missouri (bottom).

OMAHA, Neb. (Sept. 16, 2021) – For the 10th straight month, the Creighton University Rural Mainstreet Index (RMI) remained above growth neutral, according to the monthly survey of bank CEOs in rural areas of a 10-state region dependent on agriculture and/or energy.

Overall: For the fourth straight month, the overall index dropped. The September reading of 62.5 was down from August’s 65.3. The index ranges between 0 and 100 with a reading of 50.0 representing growth neutral.

Approximately, 35.7% of bank CEOs reported that their local economy expanded between August and September.

“Solid grain prices, the Federal Reserve’s record-low interest rates, and growing exports have underpinned the Rural Mainstreet Economy. USDA data show that 2021 year-to-date agriculture exports are more than 27.6% above that for the same period in 2020. This has been an important factor supporting the Rural Mainstreet economy,” said Ernie Goss, PhD, Jack A. MacAllister Chair in Regional Economics at Creighton University’s [Heider College of Business](http://business.creighton.edu/).

“More than eight of 10 bankers expect, if implemented, the stepped-up basis portion of President Biden’s $3.5 trillion bill before Congress to have a negative impact on the Rural Mainstreet economy,” said Goss.

According to Don Vogel, CEO of Farmers National Bank in Sterling, Illinois, “The loss of stepped-up basis is a significant issue as it relates to farmland being passed on to the next generation.” However, he goes on to say that “If the next generation is going to farm the ground, what the basis is does not matter.” He contends that it is more of an issue for investors.

However, Jeff Bonnett, president of Havana National Bank in Havana, Illinois. was less optimistic saying that, “The stepped-up basis for inherited assets (farmland) is critical to the preservation of the family farm. If approved this will be a game changer for family farms. This proposal will also impact any family-owned small business (Main Street vs Wall Street) that also has the goal of passing on their business to the next generation.”

Farming and ranching: The region’s farmland price index advanced above growth neutral for a 12th straight month to a record high 85.2 from August’s very strong 76.6.

The September farm equipment-sales index climbed to 66.0 from 64.7 in August. Readings over the last several months represent the strongest consistent growth since 2012.

Banking: The September loan volume index rose to 58.9 from August’s 53.0. The checking-deposit index sank to 58.8 from August’s 68.8, while the index for certificates of deposit, and other savings instruments increased to a weak 37.5 from 34.4 in August.

Almost two-thirds, or 64.3%, of bankers expect the Federal Reserve to begin reducing their economically stimulative monthly bond purchases before the end of 2021. “I expect this pullback in monthly purchases to push long term interest rates slightly higher in the fourth quarter of 2021,” said Goss.

Hiring: The new hiring index slipped to a strong 67.9 from 70.3 in August. However, labor shortages continue to be a significant issue for Rural Mainstreet businesses.

Confidence: The confidence index, which reflects bank CEO expectations for the economy six months out increased for the first time since May of this year to 65.4 from August’s 59.7.

“Improving farm exports, healthy agriculture prices, and healthy consumer spending pushed the economic outlook upward. On the other hand, 53.6% of bank CEOs reported that the Delta variant of Covid-19 was having rising negative economic impact,” said Goss.

Home and retail sales: The home-sales index fell to 71.4 from August’s record high 84.4. The retail-sales index for September climbed to 58.9 from August’s 54.7. “Healthy farm prices and federal stimulus spending are having very positive impacts on Rural Mainstreet retail sales and home sales,” said Goss.

The 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, former chairman of the Independent Community Banks of America, created the monthly economic survey in 2005 and launched in January 2006.

Below are the state reports:

Colorado: Colorado’s Rural Mainstreet Index (RMI) for September rose to 68.7 from August’s 50.9. The farmland and ranchland-price index climbed to 88.3 from 68.0 in August. Colorado’s hiring index for September expanded to 69.8 from 62.9 in August. U.S. Bureau of Labor Statistics data indicate that Colorado’s Rural Mainstreet nonfarm employment has expanded by 5.6% over the past 12 months.

Illinois: The September RMI for Illinois dropped to 68.9 from 78.0 in August. The farmland-price index expanded to 88.2 from 75.7 in August. The state’s new-hiring index dipped to 69.7 from 70.6 in August. U.S. Bureau of Labor Statistics data indicate that Illinois’s Rural Mainstreet nonfarm employment has expanded by 5.9% over the past 12 months. Jeff Bonnett, president of Havana National Bank in Havana said, “Another piece of the ‘proposed’ American Families Plan is to require all financial institutions to report inflows and outflows for all loan or deposit accounts greater than $600 (basically all loan accounts and most deposit accounts) directly to the IRS. This is a further invasion of privacy.”

Iowa: The September RMI for Iowa improved to a healthy 65.3 from 61.9 in August. Iowa’s farmland-price index advanced to 87.1 from August’s 71.1. Iowa’s new-hiring index for September expanded to 68.6 from 66.0 in August. U.S. Bureau of Labor Statistics data indicate that Iowa’s Rural Mainstreet nonfarm employment has expanded by 3.7% over the past 12 months.

Kansas: The Kansas RMI for September sank to 55.5 from 67.0 in August. The state’s farmland-price index improved to 84.5 from August’s 72.6. The new-hiring index for Kansas slipped to 66.0 from 67.5 in August. U.S. Bureau of Labor Statistics data indicate that Kansas’s Rural Mainstreet nonfarm employment has expanded by 2.6% over the past 12 months.

Minnesota: The September RMI for Minnesota fell to 71.0 from August’s regional high 81.5. Minnesota’s farmland-price index grew to 89.0 from August ‘s 76.7. The new-hiring index for September declined to 70.5 from 71.6 in August. U.S. Bureau of Labor Statistics data indicate that Minnesota’s Rural Mainstreet nonfarm employment has expanded by 6.2% over the past 12 months.

Missouri: The September RMI for Missouri slumped to 47.3, a regional low, from August’s 56.9 The farmland-price index soared to 81.1 from August’s 69.7. The state’s hiring gauge declined to 62.6 from 64.6. U.S. Bureau of Labor Statistics data indicate that Missouri’s Rural Mainstreet nonfarm employment has contracted by 1.4% over the past 12 months.

Nebraska: The Nebraska RMI for September dropped to 65.3 from August’s 69.4. The state’s farmland-price index rocketed to 86.2 from last month’s 73.3. Nebraska’s new-hiring index sank 67.7 from 68.2 in August. U.S. Bureau of Labor Statistics data indicate that Nebraska’s Rural Mainstreet nonfarm employment has expanded by 4.5% over the past 12 months.

North Dakota: The North Dakota RMI for September slumped to 57.6 from August’s 58.2. The state’s farmland-price index rose to 83.8 from 70.0 in August. The state’s new-hiring index advanced to 65.4 from August’s 64.9. U.S. Bureau of Labor Statistics data indicate that North Dakota’s Rural Mainstreet nonfarm employment has expanded by 3.1% over the past 12 months.

South Dakota: The September RMI for South Dakota weakened to a still very healthy 65.0 from August’s 74.4. The state’s farmland-price index improved to 87.0 from 74.7 in August. South Dakota’s September hiring index slipped to 68.5 from 69.5 in August. U.S. Bureau of Labor Statistics data indicate that South Dakota’s Rural Mainstreet nonfarm employment has expanded by 5.6% over the past 12 months.

Wyoming: The September RMI for Wyoming was unchanged from August’s 62.1. The September farmland and ranchland-price index rose to 84.7 from 71.2 in August. Wyoming’s new-hiring index inched up to 66.3 from August’s 66.1. U.S. Bureau of Labor Statistics data indicate that Wyoming’s Rural Mainstreet nonfarm employment has expanded by 4.1% over the past 12 months.

Tables 1 and 2 summarize the survey findings. Next month’s survey results will be released on the third Thursday of the month, Oct. 21.

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| --- | --- | --- | --- |
| Table 1: Rural Mainstreet Economy Last 2 Months & One Year Ago: (index > 50 indicates expansion) | | | |
|  | Sept.-20 | Aug.-21 | Sept.-21 |
| Area economic index | 46.9 | 65.3 | 62.5 |
| Loan volume | 60.9 | 53.0 | 58.8 |
| Checking deposits | 76.6 | 68.8 | 58.9 |
| Certificates of deposit and savings instruments | 35.9 | 34.4 | 37.5 |
| Farmland prices | 45.0 | 76.6 | 85.2 |
| Farm equipment sales | 32.1 | 64.7 | 66.2 |
| Home sales | 75.0 | 84.4 | 71.4 |
| Hiring | 54.8 | 70.3 | 67.9 |
| Retail business | 43.8 | 54.7 | 58.9 |
| Confidence index (area economy six months out) | 50.0 | 59.7 | 65.4 |

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| Table 2: The Rural Mainstreet Economy, September 2021 | | | | | |
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|  | Percentage of bankers reporting | | | | |
|  | Negative &  Devastating | Negative &  Significant | Negative but not  Significant | Little or  No Impact | No opinion or  Unknown |
| As part of his American Families Plan, President Biden proposes to eliminate the stepped-up basis for inherited assets. For the agriculture sector, this change would have: | 50.1% | 32.1% | 10.7% | 0.0% | 7.1% |
|  | | | | | |
|  | Percentage of bankers reporting | | | | |
|  | Decreasing  Significantly | Decreasing but not Significantly | Little or  No change | Increasing but not significantly | Increasing  Significantly |
| Which of the following represents the economic impact of Covid-19 on your area? | 3.8% | 3.5% | 39.3% | 49.9% | 3.5% |
|  | | | | | |
|  | Percentage of bankers reporting | | | | |
|  | Yes | No | | No  Opinion | |
| Do you expect the Federal Reserve to taper or reduce their purchases of U.S. Treasury bonds and mortgage-backed securities in calendar 2021? | 64.3% | 35.7% | | 0.0% | |

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